AN EVALUATION OF THE BRAND CAMPUS CONCEPT IMPLEMENTED AT MERCEDES-BENZ SOUTH AFRICA:

A CASE STUDY

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BY

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Declaration

I, Tichaona Samkange, hereby declare that this research is my own original work, that all reference sources have been accurately reported and acknowledged and that this document has not been previously, in its entirety or in part, submitted to any University in order to obtain an academic qualification.

T. Samkange March 2009

Abstract

Primarily, this research study was concerned with the evaluation of the brand campus concept implemented at then DaimlerChrysler South Africa in 2002, as *a case study*. Pretoria-based Mercedes-Benz South Africa (Pty) Ltd. (MBSA) is a subsidiary of global vehicle manufacturer Germany's Daimler-Benz AG (DBAG). They are responsible for assembling, distributing and retailing, certain Mercedes-Benz and Mitsubishi vehicle brands, and spare parts.

The landmark 1998 DaimlerChrysler global *'merger of equals'* was preceded by the 1995 joint venture between Mercedes-Benz and Mitsubishi Motor Corporation. Consequently, three brands (Mercedes-Benz, Chrysler and Mitsubishi) were retailed and marketed under DaimlerChrysler South Africa (Pty) Ltd. (DCSA), positioned next to each other in the same showroom. This report identifies key challenges stemming from this approach, namely: brand strength dilution, more than 80 multi-franchised dealers and multi-branded showrooms, service capacity problems, old working environment and infrastructure, and perceived intra-brand competition.

The research evidence suggests that these problems prompted then DCSA to launch the 2000 *Dealer Network Strategy (DNS)*. In the grand scheme of things, the DNS intervention entailed partitioning the dealer network into five *brand centres* in five metro regions, and eighteen *market centres* in the rural areas. The *brand campus concept* was borne out of DNS and proved to be a masterstroke since, the primary focus was on streamlining the retail facilities for DCSA vehicle sales, service and spare parts for both the passenger and commercial vehicles.

This study highlights *key pillars* of the brand campus concept, namely: profitability, brand focus, customer orientation and diversity. The challenge was to address *seven major drivers* of the brand campus concept, namely: after-sales vehicle support, vehicle service capacity, lead-times, spare parts availability, sales information propagation, behavior of sales personnel and the overall vehicle dealership appearance.

Semi-structured interviews constituted part of the evaluation based on the perspectives of five customers, three dealer principals and two MBSA marketing executives. The research evidence, which also came from MBSA *documentation* and *direct observation*, shows that this innovative concept has been remarkably successful.

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Abbreviations and Acronyms

AMA	American Marketing Association
BBBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BMW	Bayerische Motoren Werke AG
CIM	Chartered Institute of Marketing
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
CV	Commercial Vehicles
CVI	Corporate Visual Identity
CVIS	Corporate Visual Identity System
DBAG	Daimler-Benz Germany
DCAG	DaimlerChrysler Germany
DCSA	DaimlerChrysler South Africa
DNS	Dealership Network Strategy
ESCs	Extended Service Contracts
GMSA	General Motors South Africa
MBSA	Mercedes-Benz South Africa
MPV	Multi-Purpose Vehicle
NCA	National Credit Act
NDP	New Distribution Policy
NMI-DSM	Natal Motor Industries-Durban South Motors
OE	Original Equipment
OTD	Order-To-Deliver
PND	Project Nouvelle Distribution
PV	Passenger Vehicles
RQs	Research Questions
SMH	Sandown Motor Holdings
VM	Vehicle Manufacturers

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Chapter 1: Research Introduction and Overview

1.1 Research Introduction

Mercedes-Benz South Africa (Pty) Ltd. (MBSA) manufactures, distributes and retails an extensive range of premium passenger and commercial vehicles (Manoim, 2001; MBSA, 2008). The comprehensive 2002 vehicle brands profile included: Mercedes-Benz, Chrysler and Mitsubishi ranges.

Wholly-owned by global vehicle maker Germany's Daimler-Benz AG (DBAG) (Lorentzen, 2006; Manoim, 2001), MBSA evolved from Mercedes-Benz in 1952, became DaimlerChrylser South Africa (DCSA) in 1998, and following the 2007 de-merger with Chrysler, reverted to MBSA (MBSA, 2008).

Distribution channels are 'sets of inter-dependent organizations which facilitate the transfer of products' (Kotler, 2003: 505), 'overcoming time, place and possession gaps that separate the products from customers' (Kotler and Keller, 2009: 232; O'Connor and Frew, 2008). The channels are discussed in detail in Chapter 2. Kotler and Keller (2009) assert that in the grand scheme of things, manufacturers have the prerogative to retail to the intended market, either *directly* or by using a set of *intermediaries*.

This research focuses on the latter, and the discussion narrows down to the exclusive dealership model implemented at MBSA. Known as the *brand campus concept,* this phenomenon is part of MBSA's corporate *Dealership Network Strategy (DNS).*

Taking vehicle distribution to another level, undoubtedly, DNS transformed the dealership system into *brand centres* in five metropolitan regions, and eighteen *market centres* in rural areas (Johnson, 2008; Manoim, 2001).

1.2 The Automotive Landscape in Perspective

The global automotive industry adopted the fields of *passenger* and *commercial vehicles categorization* as an accepted framework to determine vehicle positioning in the market

(European Commission, 2000). On the whole, MBSA capitalizes on these vehicle categories at the brand campus concept dealerships.

According to Kotler and Keller (2009: 235), ideally, 'just about everything that matters to customers concerns several *service output level metrics',* which form part of the evaluation of the efficacy of the brand campus concept. Further, Kotler and Keller (2009: 235) highlight these metrics as: lot size, average waiting and delivery times, spatial convenience, product variety, assortment breadth, and service back-up provided by the channel.

In addition, seven generic dimensions were proffered by Rangan (1994), namely: after-sales vehicle support, vehicle service capacity, lead-times, spare parts availability and sales information dissemination, behavior of sales personnel and overall dealership appearance. These topics are extensively covered in Chapter 3.

1.3 The Dealership Rationalization Program

In 1994, Mercedes-Benz partnered with Japanese Mitsubishi Motor Corporation, and subsequently merged with American Chrysler Corporation in 1998 (DaimlerChrysler, 2006; Kotler, 2003; MBSA, 2008; Stadler and Hinterhuber, 2005). These strategic imperatives unified a wide range of often competing and diverse vehicle brands which were marketed in the same showroom (Architect and Builder, 2006; Manoim, 2001).

According to Architect and Builder (2006), Johnson (2008), and Manoim (2002), from the perspective of then DaimlerChrysler South Africa (DCSA), the resultant *key problem areas* identified in the *risk analysis audit* of 2000 included:

- Brand strength dilution, more than 80 multi-franchised dealerships and multi-branded showrooms, service capacity problems, old working environment and infrastructure, and perceived intra-brand competition.

Confronted with these dynamic challenges, DaimlerChrysler strategists were hard-pressed to redefine the *traditional vehicle distribution network*. Determined to make an impression, DCSA crafted the ground-breaking *Dealership Network Strategy (DNS)* - a turnaround distribution intervention articulated as management's marketing master plan (Manoim, 2001). From Johnson's (2008) standpoint, the objective was to streamline dealerships into *brand centres* in metropolitan regions, *market centres* in rural areas, and independent dealerships operating in both areas (discussed more fully in Chapter 3).

1.4 The Brand Campus Concept Exclusive Dealership Model

The *brand campus concept* (borne out of DNS), gave new meaning to vehicle distribution by providing a *friendly vehicle distribution climate* (Klein and Selz, 2000). From the point of view of the Architect and Builder (2006), DaimlerChrylser (2007), and Manoim (2001, 2002), the intention was to change the conventional mindset of ‘selling vehicles’ to one of providing comprehensive ‘one-stop vehicle purchasing solutions’.

The long-standing viewpoint shared by Architect and Builder (2006), and Manoim (2001), was that, then DCSA wanted to showcase its legendary flagship Mercedes-Benz, Mitsubishi and Chrysler brands within three separately-designed buildings under ‘one vehicle campus’.

Exhibiting a ‘vehicle fashion sense’, MBSA initially created two spectacular and superbly-located lifestyle centres in Durban in 2002, and in Cape Town (2006) (Architect and Builder, 2006; Manoim, 2001). In time, there were additional centres in Johannesburg (2007), and Pretoria (2008); however, the fifth centre is Sandton, and it does not have a lifestyle centre (Johnson, 2008). Apparently, the reasonable argument is that, as stated by Johnson (2008), establishing a lifestyle centre there proved beyond both economic and business senses. Overall, this research intends to highlight the challenges emanating from the brand campus concept.

1.5 Research Background

This section outlines the research overview and objectives, and the structure of the dissertation.

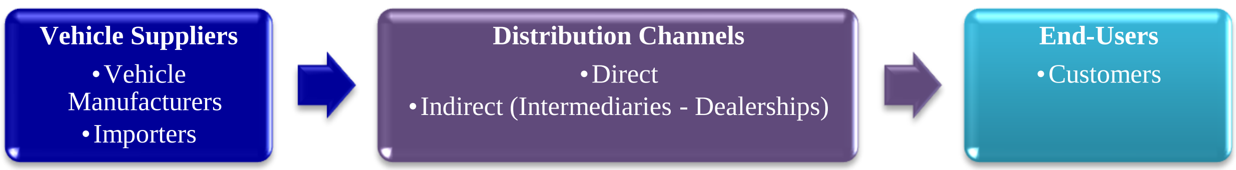
1.5.1 Research Overview

At this juncture, it is imperative to spell out that the field of this research was limited to *automotive retail management*, particularly to the *indirect distribution channels* used by MBSA to reach the target market. This involves losing control of the distribution channels, ‘handing over’ distribution responsibilities to dealerships (Klein and Selz, 2000).

The far-reaching significance of intermediaries cannot be over-emphasized, though. According to Kotler and Keller (2009: 232), the intermediaries ‘assist firms gain efficiency and effectiveness'. They attain this by harnessing their 'contacts, experience, specialization and scale of operation, and offer more than a firm could on its own' (O'Connor and Frew, 2008).

Proponents of the *indirect distribution strategy*, Gaiardelli, Saccani and Songini (2007), Gronroos (1994), Klein and Selz (2000), Kotler (2003), and Yadav and Goel (2008), argue that the approach capitalizes on the over-arching capabilities provided by the intermediary channels. These capabilities include: reaching wider target market coverage at lower costs, ensuring customized retailing and distribution efficiency, and generally, distributors are perceived to be closer to customers in the supply chain. The indirect distribution strategy is discussed in detail in Chapter 2. Therefore, a typical automotive distribution system is depicted in Figure 1.1.

Figure 1.1: Typical Automotive Distribution Structure



As proposed by Kotler (2003: 508), and Kotler and Keller (2009: 231), two distribution channels where each channel 'is proportional to the number of intermediary levels, are used by vehicle makers to reach the intended market'. These will be aptly-demonstrated through the Mercedes-Benz case, as discussed by the Competition Commission (2001), DaimlerChrysler (2002a), and Manoim (2001, 2002):

- Firstly, MBSA retails *directly* to large customers, such as car rental firms (AVIS and Imperial), through short (single- or no-level) marketing channels; and
- Secondly, *indirectly* using intermediaries, such as MBSA dealerships, via long (two or more levels) marketing channels.

It should be noted that the brand campus concept assumes the indirect distribution approach. As it turns out, according to Hough and Neuland (2007), the channel length directly relates to the price customers eventually pay, impacting the overall channel selection process.

1.5.2 Research Objectives

Based on the *case study research methodology*, the primary objective of this research was to evaluate the brand campus concept against the objectives set, namely: brand-focus, customer-centric, profit-orientation, and diversity. In attempting to do this, the study looks at the brand campus concept from the perspectives of the customer, the dealer principal and the MBSA marketing executive. The key question is that, from these perspectives:

- Did brand awareness, customer satisfaction, sales margins, the bottom-line, or market position improve as a result of the implementation of the brand campus concept?

Answers to the question were sought through corroborating evidence of MBSA *documentation*, the *semi-structured interviews* (with customers, dealer principals and MBSA marketing executives), and *direct observation*. The detailed discussion is provided in Chapter 4.

1.5.3 Structure of the Dissertation

The roadmap for this dissertation is structured such that the remainder of the dissertation is organized as follows: Chapter 2 focuses on the literature pertaining to the field of study, automotive retail management. This is followed by the discussion of the organization – Mercedes-Benz, the dealership network strategy (DNS), and the brand campus concept in Chapter 3. Chapter 4 covers the research methodology. The results and discussion are presented in Chapter 5, with the conclusion and recommendations on future works in Chapter 6.

Chapter 2: Automotive Retail Management

This chapter is primarily-concerned with the literature pertaining to the field of study, the automotive retail management, and ultimately, on the subject matter, the brand campus concept.

2.1 The Marketing Strategy

The American Marketing Association (AMA) (Gronroos, 1994: 5; Hyman, 2002: 924; Kotler, 2003: 9), and the Chartered Institute of Marketing (CIM) (CIM, 2005) define marketing as the 'process of planning and executing the conception, pricing, promotion and distribution of ideas, products and services to create exchanges that satisfy individual and organizational goals'.

Citing early distribution theories, Parment's (2008: 253) viewpoint is that in the past, marketing was not highly-valued as a distribution function because 'there is always a market for products, or markets are characterized by a shortage of products'. Putting things into perspective, the assertion by Gautam and Singh (2008), and Merz (2006) imply that technically, customers use a product because they have a need or it brings perceived advantages.

Yet, marketing significantly influences an informed purchasing decision-making initiative by providing 'sufficient information to the right people, at the right time and in the right place' (O'Connor and Frew, 2008). From a theoretical standpoint, Thitithananon and Klaewthanong (2007: 2) refer to this phenomenon as the 'characteristic of knowledge management'. In turn, marketing strategy is a long-term managerial game plan 'committed to pursuing the business' marketing opportunities' (Thompson, Strickland and Gamble, 2007: 38), and is based on the firm's mission and vision (McDaniel and Kolari, 1987).

The conclusion by Michael (2002: 325) implies that the strategy coordinates 'the price, quality and advertising aspects'. Lamb Jr., Hair Jr., McDaniel, Boshoff and Terblanche (2004: 24) draw attention to the fact that this depends on 'the marketing objective, target market description, structure and positioning, and optimal combination of the marketing mix elements'.

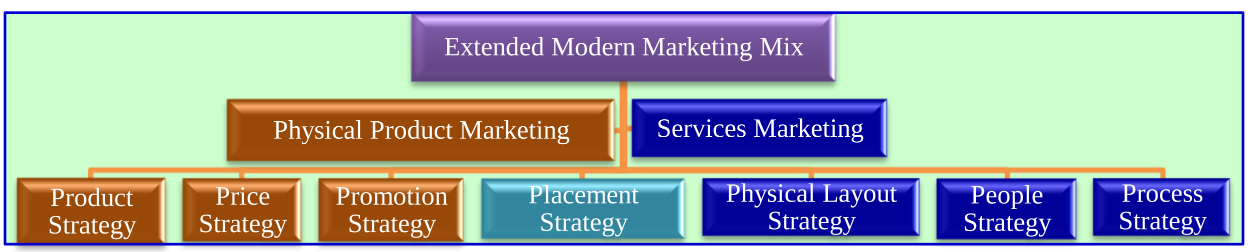
2.1.1 The Extended Modern Marketing Mix

Neil Borden is credited for coining the widely-cited *marketing mix* phrase in his 1960s article, *The Concept of the Marketing Mix* (Gronroos, 1994). The famous acronym '4Ps' classification of marketing was, however, suggested and introduced by Jerome McCarthy (Hughes, 2005; Hunt, 1976; Svensson, 2002). Further, Hyman (2002: 924) posits that McCarthy had the onerous task of condensing 'Borden's original 12-version marketing mix into the 4Ps in his first edition of his book, *Principles of Marketing*'.

Gronroos (1994) is of the opinion that the 4Ps were popularized by the marketing guru, Philip Kotler in his article, *Marketing Management.* The marketing mix is defined by Kotler (2003: 15), as 'a set of marketing tools a firm uses to pursue its entire marketing objectives, such as advertising, placement, or positioning in the intended market'. Traditionally, the *4Ps model of marketing* was designed to market a *physical product* (Ripley, 2007). From Salvatore's (2004: 9) assertion, 'the marketing department cannot determine a *price*, design a *promotion* strategy or create a *distribution channel* until the firm has a *product* to sell'.

In a nutshell, Hughes (2005), and Melewar and Saunders (2000) summarize three added *services marketing* elements. Most importantly, customers assess the value of a product by looking at other aspects which come with the product, namely: *people strategy*, which delivers on customer service aspects, *physical layout* (business premises), and *process strategy* (spatial convenience). Combined, the 4Ps and the three additional services marketing elements constitute the *extended marketing mix*, as depicted in Figure 2.1.

Figure 2.1: The Extended Modern Marketing Mix



'Designed to appeal to a specific group of potential buyers' (Lamb Jr. *et al.*, 2004: 37), the most valuable commodity of the extended modern marketing mix is the unique combination of the resultant *7Ps* (Hughes, 2005; Melewar and Saunders, 2000). This is shown in Figure 2.1 above.

2.1.2 The Distribution Strategy

The distribution strategy constitutes the interface (Paturkar, 2007; Ripley, 2007), which facilitates product transfer from the manufacturer to the business' markets (customers) (Geng and Mallik, 2007; Parment, 2008). Valuing Dong's *et al.* (2007) opinion, it is of no use to have a strong product if customers cannot conveniently acquire it. Additionally, 'a product has value only if the customers can buy it' (Fawcett and Fawcett, 1994: 26).

The underlying principle behind distribution efforts is to satisfy end-users (Melewar and Saunders, 2000), and the channels represent the conduits to effect this goal (Rangan, 1994). Whilst accepting that profitability is much more the rule for a firm to remain competitive than the exception, Gautam and Singh (2008: 314) argue that 'keeping customers intrigued about its products' is also vital. However, this is consistent with the *theory of the firm*, which postulates that 'the primary objective of the firm is to maximize its wealth or value' (Salvatore, 2004: 9).

According to Fawcett and Fawcett (1994), there are *four basic economic utilities* (time, place, form, and possession), which define *customer value creation* pertaining to a firm's product or service delivery. Descriptively, Ripley (2007) states that 'the objective of distribution is to create utility of place, and the value of having the products, where and when the customer wants them'.

If it is *where* the customer needs it *(place utility)*, and *when* the customer needs it *(time utility)* (Fawcett and Fawcett, 1994; Ripley, 2007), the *distribution channels* are an essential point of contact between manufacturer and customer (Parment, 2008; Ripley, 2007). These two utilities were chosen as they match the objective of the research from the perspectives of customers, dealer principals and MBSA marketing executives. These are discussed in detail in Chapter 3.

2.1.2.1 The Definition of Distribution Channels

Distribution channels are also called 'trade or marketing channels' (Kotler, 2003: 504; Kotler and Keller, 2009: 231), and the terminology can be used interchangeably. Marketing channels are 'sets of inter-dependent organizations involved in the process of making a product available for use' (Coelho, Easingwood and Coelho, 2003: 562; Kotler, 2003: 505; O'Connor and Frew, 2008; Ripley, 2007). The channels are 'meant to overcome time, place and possession gaps that separate products from customers' (Kotler and Keller, 2009: 232; O'Connor and Frew, 2008).

A manufacturer can 'own its intermediaries' (Kotler, 2003: 551) which amounts to vertical integration (Parment, 2008; Peyrefitte, Golden and Brice Jr., 2002). According to Kotler (2003: 506), as opposed to having its own intermediaries, 'why would a manufacturer seek help with distribution functions, delegating and relinquishing control of how, and to whom the product is sold'?

Overall, O'Connor and Frew (2008) insinuate that the gains far-outweigh the losses as the firm resort to utilizing intermediaries. This argument is cemented by Perner (2007), who argue that, on a large scale, 'intermediaries are capable of performing certain functions less costly, are better-placed, and have the requisite skills relative to the manufacturer'.

In essence, the intermediary option represents 'outsourcing' (Perner, 2007; Xia and Gilbert, 2007). Slack, Chambers and Johnston (2007: 150), and Thompson *et al.* (2007: 175), define outsourcing as the 'practice of contracting out to external vendors, certain value chain activities previously done within the operation'.

To this effect, O'Connor and Frew's (2008) perspective is that distribution systems must be: (1) *effective* (delivery at the right place, correct amount, and in right condition); and (2) *efficient* (delivery at the right time and at the right cost).

What is abundantly clear is that manufacturers retail either directly, or via intermediaries (Geng and Mallik, 2007), facilitating delivery of products to customers (Dong, Shankar and Dresner, 2007). The advantages and disadvantages of the manufacturer either: (1) selling directly to customers; or (2) utilizing the intermediaries (Kotler, 2003: 506-7; Kurata, Yao and Liu, 2007; O'Connor and Frew, 2008; Parment, 2008; Perner, 2007; Prince and Davies, 2002; Scranton, 1995; Xia and Gilbert, 2007), as outlined in Tables 2.1 and 2.2, respectively.

Table 2.1: The Advantages and Disadvantages of Manufacturers Retailing Directly to Customers

Advantages	**Disadvantages**
Control and standardization: a manufacturer handling its distribution functions is better-placed in terms of exercising control over product sales, pricing and retaining high-level customer service	Some distribution logistics are complicated, time-consuming and expensive for firms to implement themselves
Market reasons: in direct channelling, manufacturers can expose, present products and brands the way they see fit	Most firms lack the requisite technical expertise in certain areas

Table 2.2: The Advantages and Disadvantages of Manufacturers utilizing Intermediaries

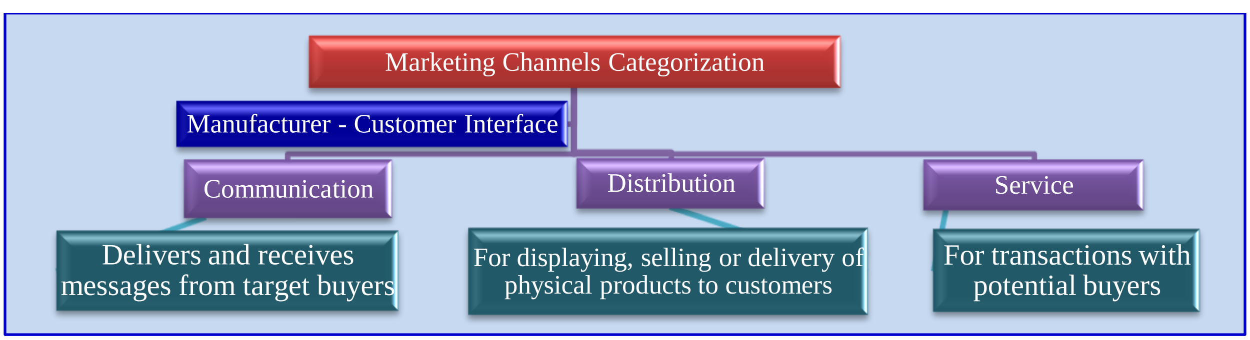
Advantages	**Disadvantages**
Convenient and flexible customer payment options (purchasing on credit, delaying start of payment, and allowing vehicle trade-ins)	Potential loss of revenue for manufacturers since resellers put mark-ups, and manufacturers may not realize full sale price
Command extensive networking, experience, specialization, scale of operation, and offer more than what a firm can achieve on its own	It is difficult for manufacturers to control the behaviour and processes at franchised dealers
	A manufacturer's product may not get the requisite attention due to multi-branded selling
	A manufacturer lacks communication control of the ultimate message which reaches the customer

The jury will always be out as to the optimal channel stream from a whole host of alternatives (direct or indirect) available, which is the focus of the next section.

2.1.2.2 The Levels and Arrangement of Distribution Channels

Rosenbloom (2007) infers that the more the channels, the higher the levels of customer service choices. This is despite the monumental challenges associated with coordination and integration of multiple channels, meant to operate at high levels of efficiency (Rosenbloom, 2007). In practice, three marketing activities – communication, distribution and service, constitute 'the interface between a marketer and the target market' (Kotler, 2003: 13). The arrangements are illustrated in Figure 2.2, and form part of the evaluation of the brand campus concept.

Figure 2.2: Marketing Channels Arrangement

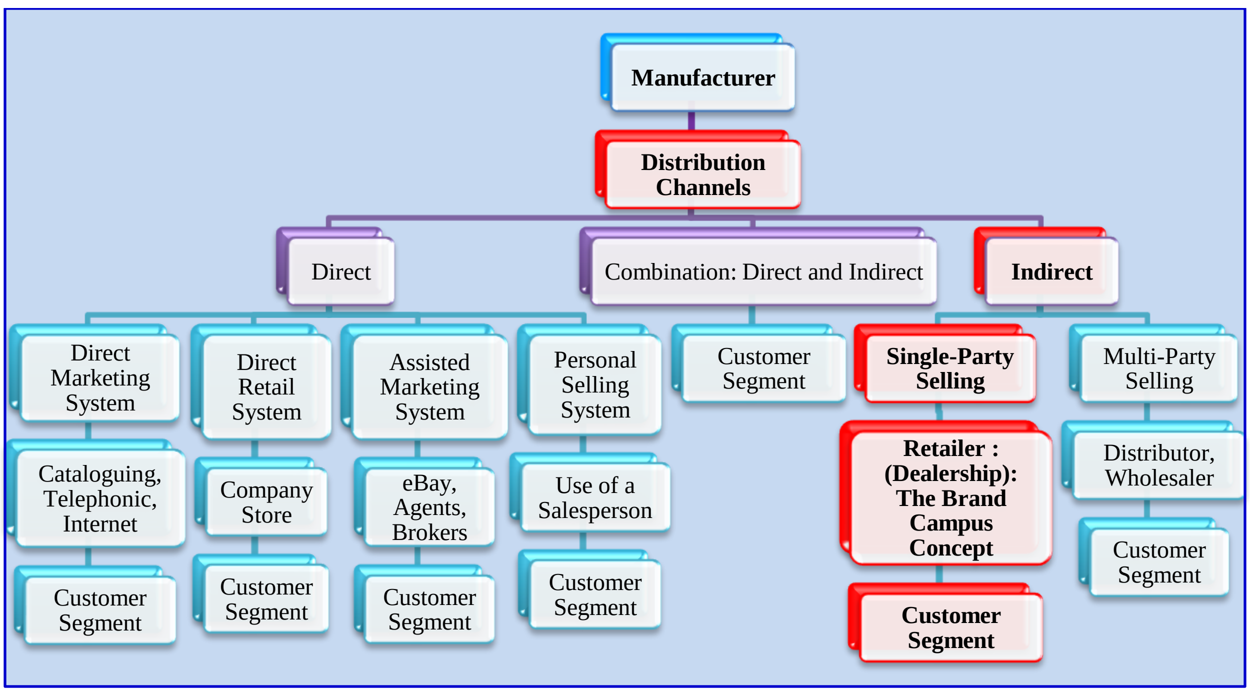


Undoubtedly, customers are primarily-concerned with the price, product variety or spatial convenience aspects (Hines, Silvi and Bartolini, 2002; Kotler and Keller, 2009), 'timely delivery, and in the right place' (O'Connor and Frew, 2008).

The detailed explanation given by Hough and Neuland (2007: 271), is that 'innovative and effective distribution systems hold the key to improved customer service, distribution efficiency and cost-effectiveness'. Fundamentally, the challenge, as stated by Slack *et al.* (2007: 148) is that, 'distribution channels provide invaluable feedback of customer needs and expectations'.

The distribution channels incorporate three discrete distribution entities (Penttinen and Plamer, 2007), namely: (1) wholesalers; (2) *retailers* (dealers); and (3) *specialty service firms* (agents, brokers or distribution firms). The brand campus concept relates to the former, as shown in red in Figure 2.3.

Figure 2.3: Typical Distribution Channels Structures



Source: (Gronroos, 1994; Kurata *et al.*, 2007; Parment, 2007; Penttinen and Plamer, 2007)

From Figure 2.3, Parment (2008), and Perner (2007) describe the three channel levels (direct, indirect or a combination of the two), as constituting a *parallel distribution channel*. This means having products sold both via conventional channels, and the internet or firm's retail outlets.

- **Direct Distribution System**

Entails straight selling to intended markets (Geng and Mallik, 2007; Rose, Shoham, Neill and Ruvio, 2007), via direct marketing and retailing, personal selling or assisted marketing systems (Gronroos, 1994; Kurata *et al.*, 2007; Parment, 2008). Ordinarily focused on large customers, (e.g. car rental firms) (Rangan, 1994), it is best-suited when (Perner, 2007): (1) absolute margins are very large; (2) there is need for large inventory; or (3) the customer base is widely-dispersed.

- **Indirect Distribution System**

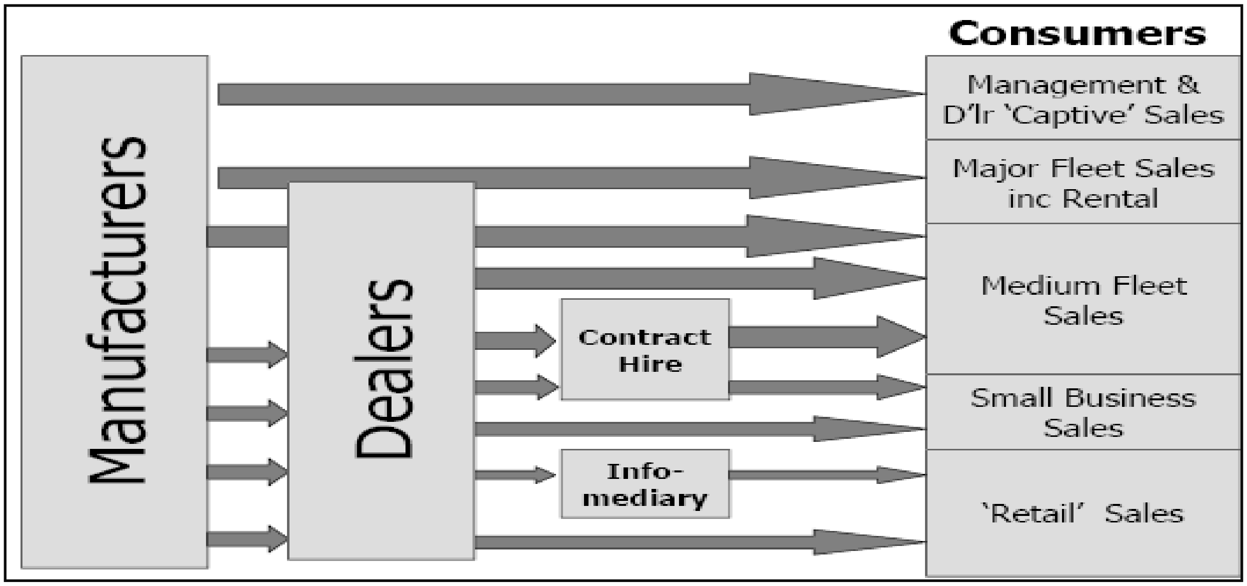
Most manufacturers 'do not retail their products themselves but utilize intermediaries who perform various functions' (Kotler, 2003: 504), and assume product stewardship (Parment, 2008). As maintained by Penttinen and Plamer (2007), this is attained through: *single-party* (large store-based retail chains or online retailing), and *multiple-party* (wholesalers) *selling systems.* According to Perner (2007), granted the unique opportunity to represent the 'face of the manufacturer', intermediaries can 'perform the *required* functions at the *desired* service level'.

- **Multi-Channel** or **Hybrid Distribution System**

Multi-channel or hybrid systems are a combination of direct and indirect systems. As such, the utilization of a multiple channel system, according to Coelho *et al.* (2003), and Parment (2008), encompasses wide-ranging capabilities, namely: wider market coverage, lower channel costs, improved customer satisfaction, customized selling, distribution efficiency, and large scale operations. As stated by Geng and Mallik (2007), and Merz (2006), the multi-channel system provides diverse information, requisite after-sales servicing and technical support.

As indicated by Coelho *et al.* (2003), Geng and Mallik (2007), and Parment (2008), the system has potential for channel conflicts, customer resentment or confusion. Largely, Coelho *et al.* (2003) attribute this to different channels competing for the same customer segment, culminating in a company's product reaching the target market at different prices and with different service levels. That said the *new vehicle sales practical model* in Figure 2.4 below is used to explain the three distribution systems in practice.

Figure 2.4: New Vehicle Sales Channels



Source: (MFBI, 2001)

From the diagram, the manufacturer has at its disposal, three retailing alternatives. (1) *Directly* to management and dealer 'captive' sales, and partly, to major fleet sales. (2) *Indirectly* via dealers, medium fleet, small business and 'retail' sales. (3) The *hybrid system* encompasses direct channels and dealers, sharing the market with major fleet sales (including rentals or leases).

2.1.2.3 Types and Numbers of Intermediaries (Dealerships)

In principle, manufacturers select intermediary channels on the basis of 'type and number of intermediaries needed, and terms and responsibilities of each channel member' (Kotler and Keller, 2009: 236; Ripley, 2007). Under the best of circumstances, the above criteria largely-depend on *three primary theories* (Ripley, 2007), as described in Table 2.3.

Table 2.3: Three Aspects of Distribution Channels

Theory	**Description**
Economic Perspective	Concerns the arrangement best-placed in terms of producing economies of scale and reducing operational costs overlap
Behavioral Perspective	Focuses on the arrangement best suited in terms of how people will feel, act, and react
Transaction Cost Analysis	Looks at both governance and production costs, providing a way to put monetary value on the customer 'behavioral aspects'

Source: (Ripley, 2007)

From Table 2.3 above, the selection criteria by manufacturers, according to Kotler (2003: 517-8), and Kotler and Keller (2009: 238), is based on the strengths and weaknesses of the intermediaries, namely: (1) *economic perspective*, which refers to the number of years in business, growth and profit records, financial strengths; (2) *behavioral perspective* – the behavior of sales personnel is paramount in this regard; and (3) *transaction cost analysis*, which refers to service reputation of potential channel members, or other product lines carried.

Once the optimal channels have been considered, 'three levels of distribution intensity - exclusive, intensive or selective strategies' (Kotler and Keller, 2009: 236; Lamb Jr. *et al.*, 2004: 287-8; Ripley, 2007), are determined next.

Exclusive distribution 'precludes intermediaries from handling competitors' products' (Ripley, 2007), 'depriving' customers the opportunity to make direct comparisons between competing brands at a single point of sale (Verboven, 2008). As Verboven (2008: 7) explains, 'the manufacturer can appoint a single dealer in a designated territory (e.g. a city or a municipality), and prohibits dealers from engaging in trading outside of their geographic areas'.

The second alternative, *intensive distribution* offers a different proposition altogether, where the philosophy is to 'utilize as many outlets as possible' (Kotler and Keller, 2009: 236; Lamb Jr. *et al.*, 2004: 287; Ripley, 2007). This channel is usually associated with fast moving 'convenience products (cigarettes, snack foods, or newspapers), which customers mainly buy in a variety of places' (Kotler and Keller, 2009: 236; Lamb Jr. *et al.*, 2004: 287; Ripley, 2007). As observed by Perner (2007), 'customers will not travel much to look for these products which should be available anywhere the customer demands them'.

Finally, *selective distribution* restricts the carrying of certain products (e.g. retailers of up-market merchandise) to only few intermediaries in a given geographic area to benefit from adequate market coverage, control and cost-reduction (Kotler and Keller, 2009: 236; Lamb Jr. *et al.*, 2004: 287; Ripley, 2007).

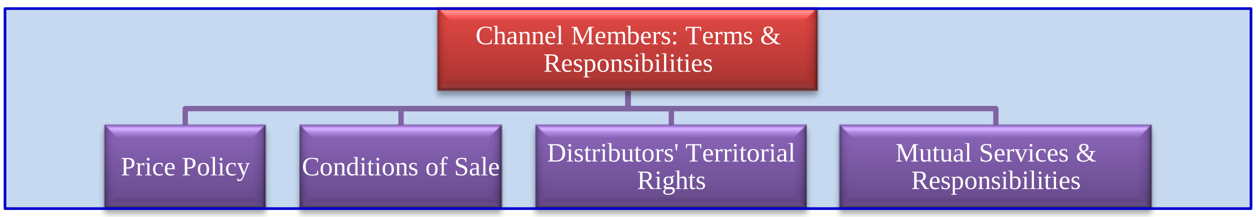
According to Verboven (2008), under selective distribution, when selecting dealers, the manufacturer can utilize: (1) *qualitative* (the possibility to directly limit the total number of dealers in the country); and (2) *quantitative* (minimum standards of staff training, upfront advertising and marketing investment requirements, showrooms, demonstration cars, stock levels, and performance of warranty works) *criteria*. As Verboven (2008: 7) further expands on the qualitative criteria, 'this may include tying new vehicle sales and after-sales repair and maintenance services, and to use the spare parts supplied by the manufacturer'.

Overall, the scope of this research encompasses the exclusive and selective distribution strategies only. These aspects are covered in detail in latter sections, as well as in Chapter 3.

2.1.2.4 Terms, Responsibilities and Evaluation of Channel Members

The terms and responsibilities of channel partners relate to the *'trade-relations mix'* elements as proposed by Kotler and Keller (2009: 236), which are portrayed in Figure 2.5.

Figure 2.5: Terms and Responsibilities



With regard to *pricing policy*, manufacturers ought to provide intermediaries with realistic operating margins and *conditions of sale* (Hughes, 2005), in addition to 'cushioning them against price declines' (Kotler and Keller, 2009: 236-7). *Distributors' territorial rights* as enshrined in the contractual agreements, empower manufacturers to 'enfranchise and define distributor territories' (Kotler and Keller, 2009: 237). In addition, '*mutual services* and *responsibilities* must be clearly spelt out in franchised- and exclusive-agency channels' (Kotler and Keller, 2009: 237), and 'franchisees have to comply with standard operating procedures' (Ripley, 2007).

Melewar and Saunders (2000) draw attention to the importance of establishing mutual relationships, communicating corporate identity and promoting distribution efficiency. As stated by both Kotler (2003: 518), and Kotler and Keller (2009: 238), this requires 'appropriate selection, training, motivation, evaluation, and modification over time, of individual intermediaries, and of channel members, designs and arrangements'.

Customarily, there is no guaranty that all will always be plain sailing, which means some channels might not perform as might be expected (Perner, 2007). To address the shortcomings, Kotler and Keller (2009: 238) suggest that, policies need to be put in place, such as that, 'underperformers should be counseled, retrained, re-motivated, or terminated'. This necessitates periodic monitoring of channel members' performance levels (service outputs) (Perner, 2007).

According to Kotler (2003: 520), and Kotler and Keller (2009: 238), the evaluation metrics include, 'sales-quota attainment, average inventory levels, customer delivery time, and cooperation in promotional and training programs'. With that in mind, the two parties might not necessarily agree at every instance, therefore, necessitate the potential for channel conflicts.

2.1.2.5 Distribution Channel Powers, Constraints and Resolutions

In certain cases, manufacturers need certain intermediaries more than those intermediaries need the manufacturers. This depends largely on the relative power wielded in the channel of distribution by the manufacturer and the intermediary, and the various types of power possessed by the intermediaries are reflected in Table 2.4.

Table 2.4: Summary: Channel Power Sources

Power Source	**Description**	**Example**
Reward Power	A channel member underpins another's performance	A retailer that meets a certain goal may receive a bonus or some other incentives
Coercive Power	Involves threats, such as punishment	Some retailers are more powerful than a single manufacturer, and threaten them with no further orders unless a price discount is offered
Expert Power	Includes valuable special knowledge	A retailer with huge investments in IT for instance, can forecast sales volumes at various price levels
Legitimate Power	Warrants acceptable behavior under contract	Dealers wield power over vehicle makers since only they have the sole right to retail to customers
Referent Power	Involves respect between the manufacturer and intermediaries	Upscale merchandise makers have a huge presence at up-market outlets (high referent power) for instance

Source: (Dong *et al.*, 2007; Kotler, 2003: 518-9; Perner, 2007)

When there is jockeying for power in the channel of distribution, conflict can arise. Rose *et al.* (2007: 297) explain that generally, *conflict* 'originates from behaviors by one party which inhibit the attainment of another party's goals'. In turn, according to Parment (2008: 257), the *channel system* comprises of 'several legal independent units, who freely set their goals and objectives which do not necessarily coincide with those of other members of the system'.

Therefore, *channel conflicts* (conflicts between members) are inevitable (Perner, 2007; Webb and Lambe, 2007), due to diverging interests regardless of 'how well they are designed or managed' (Kotler, 2003: 526). According to Rose *et al.* (2007: 7), the consequences include: hampering performance within channels of distribution, distortion and withholding of information between dyad members, mistrust, and obstacles to effective decision-making. Various channel conflict types are explained in Table 2.5.

Table 2.5: Summary: Types of Channel Conflicts

Conflict	**Description**	**Example**
Vertical	Conflict between different levels within the same channel	MBSA disagrees with a particular dealer's service policies
Horizontal	Exist between members at the same level within the channel	Two MBSA dealers disagree on whose territory includes the main street in the city
Multi-Channel	Are a result of two or more channels that sell to the same market	One channel gets a lower price based on larger volume purchases, whilst the other works with a lower margin

Source: (Kotler, 2003: 526-7; Kurata *et al.*, 2007; Ripley, 2007; Webb and Lambe, 2007)

Taken as a whole, Kurata *et al.* (2007) stress the importance of the *vertical* (e.g. coordination between a manufacturer and a retailer) and *horizontal* (e.g. pricing between two retailers) *decisions*, as integral to supply chain management (as shown in Table 2.5 above). Based on root-cause-analysis, there are various explanations for causes of conflicts as outlined in Table 2.6.

Table 2.6: Summary: Causes of Channel Conflicts

Conflict Cause	**Description**
Goal Incompatibility	When overall goals are broken into specific functional objectives that conflict with each other, they assume the form of conflicting objectives relative to growth rates, revenues, profits, or market share.
Domain Dissension	This is when channel coalitions must draw from the same base of limited resources - external and / or internal, to accomplish their tasks and objectives.
Unclear Roles and Rights	Primarily, due to the fact that dealer tasks are numerous and specified in detail, whilst manufacturer roles are few and vaguely-detailed.
Differing Perceptions of Reality and Internal Channel Communication	Concerns various reactions to the same situation from lack of communication; a manufacturer may be optimistic about short-term economic outlook, requiring dealers to carry higher inventory, whilst dealers may be pessimistic.
Intermediaries' Dependence	This is due to dealerships' over-reliance for support on the manufacturer, greatly-influenced by say, the manufacturer's pricing decisions.

Source: (Kotler, 2003: 526-7; Parment, 2008; Webb and Lambe, 2007)

The viewpoint held by Parment (2008) is that these conflicts fall within the ambit of two philosophies. These are: (1) *trading philosophy*, which focuses on short-term maximization of sales and profits; and (2) *brand management philosophy*, which focuses on building long-term customer loyalty and long-term maximization of brands and business values.

The fact of the matter is that, widespread intermediary channel conflicts according to Zeithaml, Bitner and Gremler (2006: 439-40), are as a result of: divergence over objectives and performances, difficulty in controlling quality and consistency across outlets, tension between empowerment and control, and channel ambiguity. In practice, 'it is not possible to completely eliminate channel conflicts' (Kotler, 2003: 529; Rosenbloom, 2007: 8). However, the least that can be done is to 'litigate cross channel conflicts' (Rosenbloom, 2007: 8), and according to Kotler (2003: 529), this is attained via 'effective conflict management and pragmatic decisions'.

Referring to Kotler (2003: 529) and Perner (2007), the long-standing recommendations for conflict resolutions vary from, 'sharing information, successful adoption of super-ordinate goals, to co-optation, diplomacy, mediation and arbitration'. Also, mutual respect and understanding between the two parties on the basis of similar objectives reinforces a *'sense of belonging'*, and elevates dealers to the status of *'strategic asset'* (Kotler, 2003: 518).

Rosenbloom (2007) suggests relational exchanges between channel members and legal means, and formation of strategic alliances as means of securing enhanced channel member cooperation. Rose *et al.* (2007: 298) feel there is a positive spin to conflict though; when 'properly managed, it improves decision-making by promoting the free expression of ideas and opinions'.

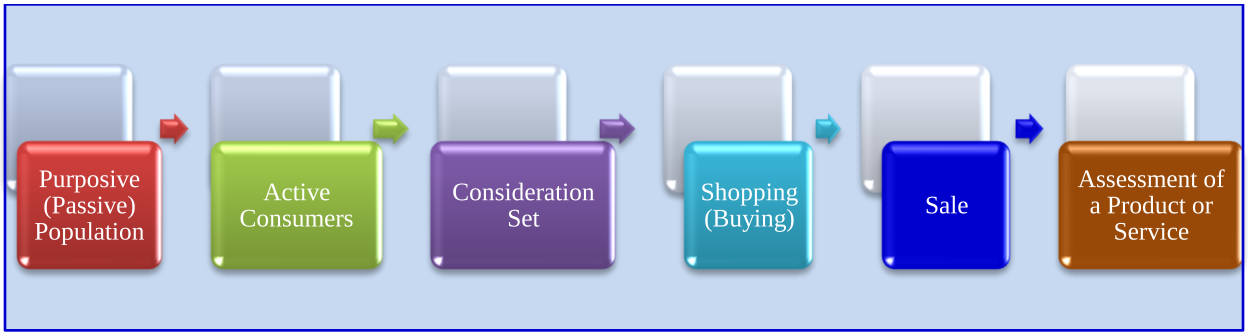
2.2 Designing and Managing Integrated Marketing Channels

To design a marketing channel system, Kotler (2003: 511), Kotler and Keller (2009: 235), and Ripley (2007) propose: analysis of consumer service needs, setting channel objectives, and identification and evaluation of major alternatives and constraints. The contention is that due consideration should be given to 'lean management' (Fawcett and Fawcett, 1994; Hines *et al.*, 2002), to ensure: understanding of customer value, identification of the value-added streams, and creation of flow of product and information using customer pull.

2.2.1 Identifying and Prioritizing Customer Channel Functions

With regard to customer-focus, an ingenious vehicle purchasing decision-making process, *A Practical Model of a Practical Matter* by Malhotra (1993), is shown in Figure 2.6 below.

Figure 2.6: New Vehicle Purchasing Decision-Making Model



Source: (Malhotra, 1993: 58)

Under-pinning Malhotra's (1993: 57-8) model, the emphasis is on a real-life situation of how customers conclude a 'new vehicle purchasing decision', as described below:

- 'Starting as a *passive customer* (I'm not interested in considering the purchase of a new vehicle), and when actively interested in purchasing a new car, the customer creates a *consideration set* (limits the brands to be considered). This is followed by *shopping (buying)*, *sale* and *assessing* the value of the product or service. Toyota is part of the consideration set of value-conscious and reliability-oriented buyers, and used the new car purchase model to formulate marketing strategies that are consonant with consumers' underlying decision-making process. The 1992 Toyota Paseo marketing theme, *A very practical car you can depend on,* was based on this model'.

Kurata *et al.* (2007) suggest that there are two types of crucial decisions customers consider before purchasing a product. These are presented in Table 2.7.

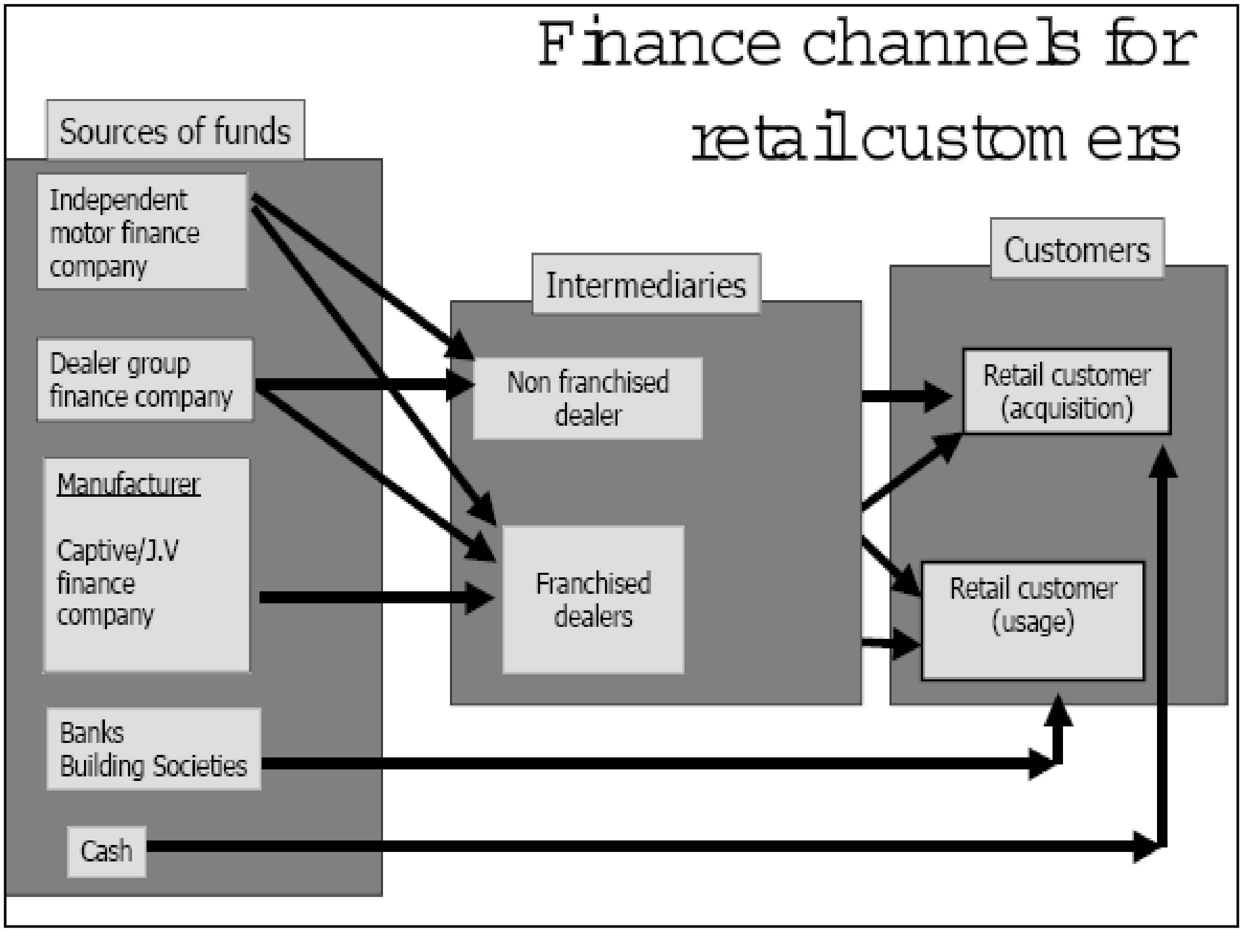
Table 2.7: The Two Decisions Customers Make When Purchasing a Product

Perspective	**Type**	**Description**
A decision made before a consumer's arrival at a store	The decision process is based on *internal information*	This concerns information that is available in the consumer's memory, such as *risk-reducing product qualities* (discussed in detail in Section 2.2.3.1)
A decision made inside the store	The decision process is based on *external information*	This concerns information acquired from outside sources, such as: in-store displays, the sales personnel's explanation, and actual contact with the product

Source: (Kurata *et al.*, 2007: 264)

Pursuant to the discussion on the model to determine the customer decision-making process, the next rational step entails consideration of vehicle financing options available to customers, as depicted in Figure 2.7 below.

Figure 2.7: Vehicle Financing Channels for retail Customer



Source: (MFBI, 2001)

From the diagram, the vehicle financing streams span across independent vehicle and dealer group finance companies, banks and building societies. But, in between the sources of funding and customers stand franchised and non-franchised dealers who act as conduits of finance.

Vehicle financing and vehicle affordability inherently go together. Using the automotive industry as an illustration, the widely-held belief is that, fundamentally, the challenge in the motoring sector is to encourage *vehicle affordability*. For instance, the National Credit Act (NCA) (No. 34 of 2005) was enacted to ‘make repayments easier’ (FSF, 2008).

Significantly, the ‘stringent credit checks, the credit crunch and tightening of lending rules by financial institutions’ (Furlonger, 2008), typically, translate into fewer ‘financial lending applications and credit approvals’ (Peacock, 2008).

As expounded by Peacock (2008), the ripple effect is ‘lower new vehicle sales as customers resort to purchasing pre-owned vehicles, culminating in an upsurge in the used vehicles market’. This is exacerbated by the fact that the derived demand for new vehicles is driven by unprecedented economic variables and pressures (Lorentzen, 2006; Procter, 2002). They include: levels of income and wealth, and vehicle prices.

This is despite the fact that vehicle retailing dynamics provide customers with an option for trading-in their used vehicles when upgrading to a new one. With that in mind, there is a lee-way for customers though.

Known as *pool leasing contractual agreement*, Klein and Selz (2000) explain that customers can lease from the dealer a compact car for everyday use and a station-wagon for holidays, satisfying the related mobility needs without necessarily owning a car.

2.2.2 Customer Service Output Level Measures

Due diligence dictate that, intermediaries should be forthright from the onset (Kotler, 2003: 511-13; Kotler and Keller, 2009: 235) regarding, ‘objectives related to meeting the varying customer needs and expectations’.

Crucially, just about everything that matters to customers revolves around the total care concept – the *‘customer service output level measures’* (Kotler, 2003: 511–13; Kotler and Keller, 2009: 235).

These measures are defined as ‘services ultimately desired by customers’ (Perner, 2007), and Rangan (1994) further describes them as ‘generic channel functions’. The channels are described in Table 2.8 below.

Table 2.8: Summary: Customer Service Output Measures

Function	Deliverable
Product Information	Customers seek more information on certain kinds of products, particularly those that are new or technically-challenging, and those that have a rapidly changing technological component.
Product Customization	Some products need technical modification, requiring customization to fit or fulfill the customer's specific requirements.
Product Quality Assurance	A customer emphasizes product integrity and reliability because of product consequences for the customer's own operations.
Lot Size	This function reflects the customer's rand outlay for a product. If it has a high unit value or is used extensively, it is likely to represent a significant financial decision for the customer and is likely to lead to a concentrated purchasing effort.
Order Lead-Times	Addresses the average time customers of a channel wait for receipt of new vehicle deliveries.
Spatial Convenience	Describes the degree to which the marketing channel makes it easy for customers to purchase a vehicle in terms of location.
Product Assortment	A customer may need a broad range of products and may require one-stop shopping. At other times, assortment needs may simply be related to the breadth of the product line and availability of complementary products.
Product Availability	Some customer environments require the channel to support a high degree of product availability. These are usually customers whose product-usage rate is difficult to predict (e.g. spare parts, because they are required only when a machine breaks down), or customers who will switch to competition rather than wait when the product is unavailable. Notions of demand uncertainty and requirements of buffer inventory relate to this function.
After-Sales Service	Often, the quality and availability of such post-sales services (or support) will have influenced the initial sale.
Distribution Logistics	Transportation, storage and supply of products to the end-user involve levels of complexity. Moreover, once such investments are in place, governing their effective use involves additional transaction costs.

Source: (Kotler, 2003: 511-13; Kotler and Keller, 2009: 235; Perner, 2007; Rangan, 1994)

Perner (2007) believes that naturally, customers prefer optimal levels of the metrics. From Table 2.8 above, the metrics facilitate customer relationship management (CRM) (Merz, 2006), which is the continual monitoring and management of a customer's interaction with a business (Xu and Walton, 2005).

The importance of CRM cannot be over-emphasized, which brings to the fore 'the mix of business strategy, process and information technology, to improve the business with their customer base' (Salvatore, 2004: 648). Xu and Walton (2005) consider greater customer knowledge to be the key to customer satisfaction and retention.

On the other hand, Merz (2006) convincingly argues that 'CRM often fails when it comes to providing insights into what customers actually think and what they value'. To prove this suggestion, it is reported by Foss, Stone and Ekinci (2008) that, the high-failure rate of CRM projects is largely-attributed to the difficulty in their design and implementation.

CRM essentially requires the continual restructuring of the vehicle distribution system (Shimokawa, 1995). According to IBM (2005), the restructuring increases the importance of 'customer experience, brand aspects, and the value created at the moment of interaction between the customer and the distribution system'.

Melewar and Saunders' (2000) viewpoint is to the effect that the larger the deviation on important functions, the lesser the chances of attracting customers. Also, O'Connor and Frew (2008) state that the greater the degree of perceived risk in a pre-purchase context, the greater the consumer inclination to seek information about the product.

2.2.3 The Brand Campus Concept in Perspective

Providing a textbook case, the brand campus concept dynamics are discussed next from two perspectives, namely: *service branding* (intangible aspects) and the *corporate visual identity system (CVIS)* (physical or tangible aspects).

2.2.3.1 Service Branding

A brand is defined by the American Marketing Association (AMA) (Ailawadi and Keller, 2004: 332; Kotler, 2003: 418), as a 'name, term, sign, symbol, or design, or a combination of them, intended to identify the products or services of one seller or group of sellers and to differentiate them from those of competitors'.

Parment (2008: 254) describes a brand as ‘a focal point for all positive and negative impressions created by buyers over time as they come into contact with the brand’s products, distribution channels, personnel and communications’. According to Kohli, Harich and Leuthesser (2005: 1506), as the ‘foundation of marketing communication efforts, a brand name identifies the product, and acquires a rich set of symbols and meanings embodied by products’.

As implied by Grace and O’Cass (2005: 125), brands provide ‘economic and symbolic values, reduce consumer search costs and perceived risk, and signal product quality’. Kotler’s (2003: 419) observation is to the effect that, customers relate to a brand via ‘perceptions and feelings about its attributes or performance, which resides in customers’ minds’.

Further, Grace and O'Cass (2005: 125) are of the opinion that from a customer perspective, a brand reflects on ‘the product source and assigns legal responsibility, besides providing a promise or bond with the manufacturer’. It is only apposite that the key inherent *risk-reducing qualities* in an attractive brand are provided in Table 2.9.

Table 2.9: Inherent Risk-Reducing Qualities in Attractive Brands

Quality Metric	**Deliverable Outcome**
Identification	The customer may easily identify the product
Guaranty	The brand guarantees a certain level of product quality which saves customer time and effort, and reduces uncertainty
Reliability	Based on trust
Optimization	Represents one of the best products in its category, the best performer for a particular purpose
Characterization	Confirmation of the buyer’s self-image and image presented to others
Continuity	Familiarity and intimacy with the brand heritage
Ethical	Satisfaction linked to the responsible behavior of the brand in its relationship with society

Source: (Parment, 2008: 254-5)

Yoon, Thompson and Parsa (2009: 34) believe that ‘customers employ multiple methods of processing brand information, and rely on personal attitudes, beliefs or perceptions about the brands’. In turn, Parment (2008: 254) identifies three attributes of strong brands, namely: (1) they signify high profitability; (2) they earn higher margins and higher returns on assets; and (3) customers are willing to pay a price premium.

From Ailawadi and Keller’s (2004: 331) standpoint, a brand is ‘one of a firm’s most valuable assets, and it can influence customer perceptions, and drive store choice and loyalty’. It is against this backdrop that two concepts brand loyalty and brand switching, which relate to customer service output levels and identify with a strong brand, are defined in Table 2.10.

Table 2.10: Definitions: Brand Loyalty and Brand Switching

Dimension	**Description**
Brand Loyalty	Refers to the degree to which customers commit to particular brands based on brand switching costs, availability of substitutes, emotional ties to the firm, perceived risk associated with the purchase, and satisfaction obtained from past purchases
Brand Switching	Refers to a buyer's discretion in making inferences from brand characteristics observed between products (i.e. from one product to the other)

Source: (Hakenes and Peitz, 2007; Kohli, Harich and Leuthesser, 2005; Zeithaml *et al.*, 2006: 68)

Within the context of *brand loyalty*, the over-riding factors to customer considerations when making repurchasing decisions (Ailawadi and Keller, 2004; IBM, 2005; Merz, 2006), include: past customer experience, convenience, and quality of service, price, product features, company image, and others' recommendations. Further suggestions include payment terms, order-delivery lead times, and dealer facilities (Hines and Peitz, 2002; Klein and Selz, 2000), in addition to customer relationship with the company (IBM, 2005).

Grace and O'Cass (2005: 125) reveal three factors which influence customer perceptions, namely: customer satisfaction, attitude and behavioral intentions, steeply-inclined towards the service brand of choice. These are attained on the back of three *'tools of the trade',* namely: *brand evidence* (e.g. core service, employee service, brand name, price or value for money, self-image congruence and feelings), *advertising* and *promotion.*

An interesting review pertaining to store atmosphere is provided by Ailawadi and Keller (2004: 333), who describe the influential dimensions as 'pleasantness, arousal and dominance'. Further, Ailawadi and Keller (2004: 333) categorize the dimensions into: (1) *physical features* – store design and layout; (2) *ambient features* – lighting, music and displays; and (3) *social features* – type of clientele, employee availability and friendliness, as well as the appearance, behavior and service quality of employees.

Ailwadi and Keller (2004: 333) strongly argue that the atmosphere can influence 'customer perceptions of the economic and psychological costs of shopping in a store'. In addition, 'a pleasant in-store atmosphere encourages customers to visit more often, stay longer and buy more' (Ailwadi and Keller, 2004: 333).

From a customer's perspective, '*brand switching* is inevitable' (Peacock, 2008), where the 'likelihood of brand switching' largely rests with 'the customer's willingness and capacity to search for alternatives' (Perner, 2007). For instance, there is no clear distinction between the defined luxury, specialty and utility vehicle segments (European Commission, 2000; Manoim, 2001). This is particularly so within the passenger vehicle categories which have greater degrees of inter-changeability (Manoim, 2002; Peacock, 2008).

Continuing with the argument, the European Commission (2000) singled out multi-purpose vehicles (MPVs) for example, 'as easily-substitutable with estate cars, reducing the demand for minivans as customers switch to lower specialty cars'. These aspects are fully explored in Chapter 3. In this regard, the over-arching goal of the brand campus concept entails 'creation of a comfortable, inviting and welcoming environment for customers and visitors alike' (Architect and Builder, 2006: 84).

With that in mind, as discussed in Architect and Builder (2006), two marketing activities are relevant, namely: (1) *customer recruitment*, which focuses on attracting future customers; and (2) *customer base management,* which focuses on building lasting relationships within the existing customer base.

Parment (2008: 255) proposes 'radical' measures to 'protect' the image of buyers of luxury brands by 'ring-fencing' them from 'non-clients'. This is via two scenarios, namely: (1) 'creating distance' between the two sets of distinct buyer groups; and (2) implementing 'prohibitive' entry barriers, preserved through exorbitant pricing and exclusive distribution.

Summarizing brand servicing, Stock and Tupot (2004) provide a fascinating caption:

- 'The successful brand will live in a world with customers as a seamless series of actions. Consumers may be aware of the presence of brand messages, but the messages are believable and speak the language of the scenario. Messages that ignore this mandate will be shut out and banished from the consumer's world'.

2.2.3.2 The Concept of the Corporate Visual Identity System

As stated by Melewar and Sauders (2000: 538), the firm needs to establish a strong corporate identity. This refers to 'the set of meanings by which an object allows itself to be known, and through which it allows people to describe, remember and relate to it'.

Consistent with the literature on Corporate Visual Identity (CVI) and Corporate Visual Identity Systems (CVIS) (Melewar and Saunders, 2000), this communication aspect transcends the boundaries of advertising and marketing to position an organization competitively on the market. The two systems are described in Table 2.11.

Table 2.11: The Concept of Corporate Visual Identity Systems Explained

Dimension	**Description**
Corporate Visual Identity (CVI)	This forms an integral part of corporate identity, portraying the outer sign of inward commitment through products, environment and communications. This visual school emphasizes graphic design and management through official corporate symbols.
Corporate Visual Identity System (CVIS)	This concerns the graphic design at the core of a firm's visual identity, whose elements are corporate name, symbol or logotype, typography, color and slogan. At best, CVIS provides the graphic language and discipline for the clear, consistent projection of a firm's visual identity. Firms which standardize their global CVIS, normally achieve communication benefits beyond the usual marketing mix.

Source: (Melewar and Saunders, 2000: 539)

Melewar and Saunders' (2000) theoretical framework highlights the concept of graphics, which exude a firms' message through CVIS elements, integrating a range of internal and external facilities. Noticeably, these creative expressions, identify with 'the overall appearance of buildings, the degree of landscape or gardens surrounding the premises, to incorporate an essential part of an institution's identity' (Melewar and Saunders, 2000: 540). Also, the visual elements include 'landscaping and walkways' (Goldwasser, 2008).

This CVI system is best placed to articulate the strong position the organization embodies (Melewar and Saunders, 2000), as the corporate identity guidelines relate to the interior design and value-added products (furnishings, and brands merchandise and accessories ranges). Inevitably though, dealerships may be replicable in terms of visual appearance, including signs, and showroom design (Parment, 2008). The concluding remarks entail 'capturing the essence of dealerships from the perspective of customers', and the reader's attention is drawn to a particularly noteworthy impression by Sidney (2005), which follows:

- 'Customers expect to walk into a dealership, enter a showroom, feel and breathe the exclusivity of the brand. They anticipate the showroom to emulate their perception; by aligning themselves with the brand they have *'arrived'*. Also, the dealers need to transform into a brand destination or experience, where customers can live the respective brands. It is about encapsulating the brand essence and translating it into every aspect of the brand's environment, from the flooring to the furniture, to the layout and shape of the physical structure'.

2.3 The Legal Technicalities of Channel Relationships

The scope of literature concerning unfair competition is limited to: unfair competition practices, cartel arrangements, and franchising and marketing systems, in that order.

2.3.1 Unfair Competition

Significantly, Manoim (2001), Perner (2007) and Verboven (2008) narrow the scope of unfair competition to cover: (1) *inter-brand competition* (different brands competing against each other); and (2) *intra-brand competition* (competition between different channels that sell the same branded products).

As Perner (2007) discusses, the literature on unfair competition is clear that there is a 'trade-off between the two', where one has to be 'sacrificed in order to bolster the other'. The legal challenges relate mainly to 'ensuring fair competition practices among firms' (Perner, 2007; Verboven, 2008). These are summed in Table 2.12.

Table 2.12: Summary: Unfair Competition Practices

Unfair Competition Practice	**Description**
Collusion	Retailers or manufacturers get together and agree to limit competition
Discriminatory Pricing	Price differentials by competing firms are generally legal only if they are justified by actual cost savings in selling to the two different firms
Predatory Pricing	Firms temporarily sell products below their costs so that competitors are driven out of business, after which the predators will raise their own prices
Territorial Restrictions	Same as predatory pricing. These may or may not be legal, depending on the court's interpretation of their impact on overall market competition
Price Maintenance	Manufacturers may put pressure on retailers not to sell their products below or above a certain price
Tying	A customer is *'required'* to buy two products even if he only wants one; occurs if a firm has a monopoly-like situation for one product but face competition for another

Source: (Perner, 2007; Verboven, 2008)

Michael (2002: 326) relates that 'franchisees are free to set their own prices', and have the benefit of the law on their side. In this respect, 'for the franchisor to set the prices across all units is a violation of unfair competition' (Michael, 2000: 326). Some legal interpretations are presented by Perner (2007), in Table 2.13 below.

Table 2.13: Interpretation of Categories of Varying Degrees of Legality and Illegality Aspects

Category	**Description**	**Examples**
Per se Legality	Certain practices are accepted as legal and no legal action can be taken	Since customers do not compete each other, it is legal to charge different airline passengers different fares based on advance purchase, for instance
Per se Illegality	Practices that are definitely illegal if it can be proven that they have taken place	Two retailers agreeing or colluding not to sell below certain prices
Rule of Reason	The totality of circumstances are examined to assess impact of the practice on competition	The practice of tying a customer is subject to significant reviewing or different interpretations
Modified Rule of Reason	Certain practices are presumed to be illegal, but courts will hear exculpatory evidence which may clear a firm	The law is discrete if a manufacturer drops a discount retailer over complaints from a rival retailer. If proved that the termination benefits inter-brand competition, this may be acceptable

Source: (Perner, 2007; Verboven, 2008)

2.3.2 Cartel Arrangement

It is within the firm's right 'to develop a suitable channel arrangement as long as it does not use exclusionary tactics to bar competitors from using the channel' (Kotler, 2003: 530). According to Kotler (2003: 530), most manufacturers utilize two *exclusive channels*, to reach the intended market.

- *Exclusive distribution* - this allows certain outlets only to carry its products. Manufacturers 'exert control over the *exclusive distribution* network' (Koolen *et al.*, 2005: 416), limiting them to retail a single brand only from a single manufacturer (Parment, 2008).
- *Exclusive dealing* – this precludes handling of competitors' products. According to (Verboven, 2008), exclusive dealing is also referred to as the *non-compete obligation*, and prohibits dealers from selling multiple competing brands.

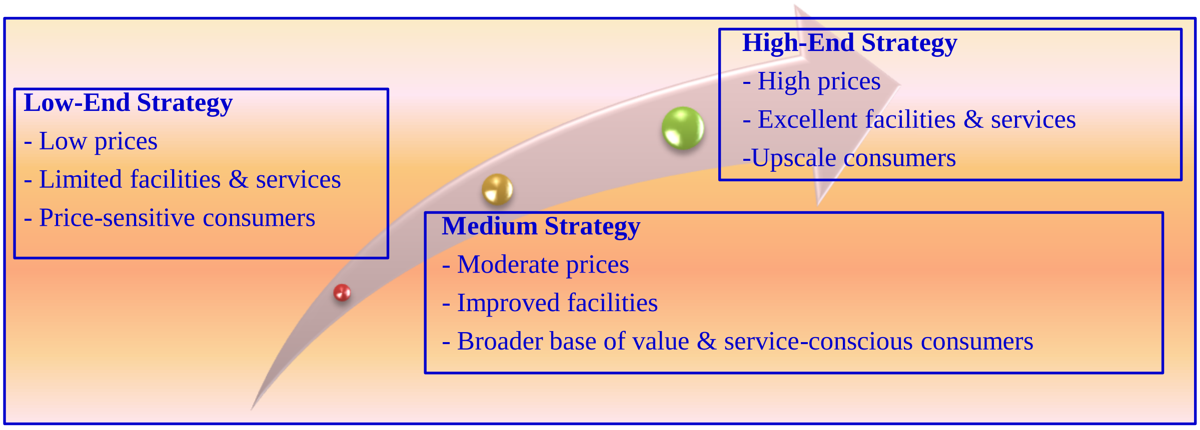
Perner (2007) points out that 'exclusive territories are apportioned to some retailers, entrusting them the sole right to sell in particular geographic areas'. Verboven's (2008) viewpoint reveals that manufacturers can assign an exclusive territory to their dealers.

Exclusivity revolves around *'mutual dependence'*. As explained by Parment (2008), manufacturers have their work cut out in terms of investment outlay, since the premium dealers are expected to invest their own resources in the brand-specific infrastructure and systems. The DCSA dealerships invested their own resources (discussed in detail in Chapter 3). As stated by Klein and Selz (2000), this is attained through: (1) creation of friendly environments via captivating lifestyle centres and elements; and (2) offering separate franchises and single-branded showrooms within appropriate infrastructure.

As such, the exclusivity aspect for this study pertains to *premium distribution strategy*. As noted by Kotler (2003: 411), the key determinants of this strategy include: (1) for instance, a Mercedes-Benz is a specialty product with sentimental value, and understandably, buyers will travel far to buy one. (2) Specialty products do not involve making comparisons, since buyers invest time only to reach dealers carrying the wanted products. (3) Dealers do not necessarily need convenient locations; however, they must let prospective buyers know their location.

This is consistent with the *Wheel of Retailing Theory* (Perner, 2007; Ripley, 2007), which postulates the 'tendency of retailers to progressively add to their services' via three incremental stages. These are: low-end, medium, and high-end strategies, respectively. This outstanding theory is depicted in Figure 2.8.

Figure 2.8: The Wheel of Retailing Theory



Source: (Ripley, 2007)

Inferring from the theory, the brand campus concept belongs to the *high-end strategy*, which entails: high price premiums, excellent facilities and services, and affluent customers. Variables of a strong brand (Parment, 2008), include: superior product differentiation and fewer close substitutes, which present fewer challenges and competition to premium dealers.

Parment (2008) subscribes to the idea that, strong brand identity and high standards are an integral part of this premium brand strategy. One study cited in Parment (2008: 252), suggests that 'strong emotional attachments largely-influence vehicle purchasing decisions, as the vehicle is a fundamental element of the everyday life for most people'.

Taking the discussion further, Parment (2008: 252) points to a research which reveals that 'about 13-18% of household spending is committed to vehicle responsibilities, primarily in Europe and Japan'. The stakes rise for dealers to become 'inventive with their product offering' (Sidney, 2005), to satisfy the increasingly sophisticated customer needs and expectations.

Provided that the exclusive arrangements do not impinge on the 'competitive space or create a monopoly' (Kotler, 2003: 530), it is the prerogative of firms to 'freely select dealers, or allocate them into assigned areas or territories' (Salvatore, 2004: 373).

Barring 'indiscriminately terminating any contractual agreements' (Kotler, 2003: 530), dealer allocation is based on *'two cartel formats'* (Salvatore, 2004: 373-4). (1) *Centralized cartel* – is a formal agreement amongst oligopolistic manufacturers to set the monopoly price, or allocate output among its members. (2) *Market-sharing cartel* – this arrangement provides each channel member the exclusive right to operate in a particular geographic area.

These two aspects are covered in detail in Chapter 3 when discussing the allocation of the dealerships by DCSA.

2.3.3 Franchising and Marketing Systems

As defined by Zeithaml *et al.* (2006: 427), franchising is 'a relationship where the service provider (franchisor) develops and optimizes a service format that it licenses for delivery by other parties (franchisees)'. As such, an individual entrepreneur 'buys the right to the trademark and the production process, for use at a particular site' (Michael, 2002: 326).

Consistent with what Parment (2008: 256) terms *privilege*, 'the parent company is the *franchisor*, the receiver of the privilege the *franchisee*, and the right or privilege itself the *franchise*'. Historically, regarded as *'brand-name leasing companies'* (Menard, 2002), the franchise system reveals some challenges as Table 2.14 below shows.

Table 2.14: Summary: Benefits and Challenges in Franchising

Benefits	Challenges
Franchisors	
Leveraged business format for greater expansion and revenues	Difficulty in franchisees maintaining heady standards, as well as motivating the franchisees
Consistency in outlets	Highly publicized disputes and conflict
Knowledge of local markets	Inconsistent quality
Shared financial risk and more working capital	Control of customer relationship by intermediary channel
Franchisees	
An established business format	Encroachment
National or regional brand marketing	Disappointing profits and revenues, and high operational fees
Minimized risk of starting a business	Lack of perceived control over operations

Source: (Zeithaml *et al.*, 2006: 427)

Parment (2008) asserts that by their very nature, franchisees are entrepreneurs, whose entrepreneurial distinction provides the impetus to assume some level of autonomy. Through their competitive instincts, more often than not, they outperform the manufacturer-owned retail outlets, leaving room for channel conflicts with the franchisor (Parment, 2008).

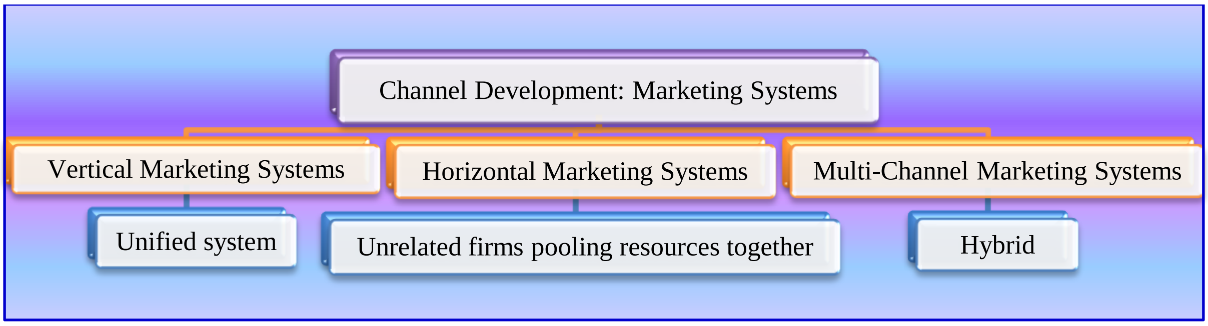
Several issues affecting franchising in general (Zeithaml's *et al.*, 2006: 427), include: (1) complex agreements for the right to use a brand name, guarantees of quality, and the capacity to monitor users. (2) This involves upholding formalized procedures, standardization and centralization of functions (uniform accounting, personnel training, and information system).

Lending credence to Parment's (2008: 256) logic, franchising is 'asymmetrical and skewed in favor of the franchisors', and the odds are heavily-stacked against the franchisees who are solely-dependent on them. By and large, most franchise problems as pointed out by Zeithaml *et al.* (2006: 431), relate to 'over-promising and unrealistic expectations by the franchisor'.

To employ the franchising strategy as Zeithaml *et al.* (2006: 427) recommend, the 'service offering must be uniform and reproducible, and align with the delivery process, warranties, guaranties, promotions, and branding'.

Kotler (2003: 522) describes marketing systems as 'profit-oriented and separate businesses'. By definition (Kotler, 2003: 522; Ripley, 2007), they are 'conventional marketing channels comprising of an independent producer, a wholesaler and a retailer'. The systems – vertical, horizontal and multi-channel, are illustrated graphically in Figure 2.9.

Figure 2.9: Marketing Systems Arrangement



Previously, the trend was that 'firms retail to a single market via a single channel', and over time, 'shifted to multi-channel marketing' (Kotler, 2003: 524; Webb and Lambe, 2007). Lately, the drivers to changes in channel arrangements included: the advent of the Internet (Webb and Lambe, 2007), and Internet-based e-Commerce (Rosenbloom, 2007).

A *vertical marketing system* comprises of 'the producer, wholesaler, and retailer, acting as a unified system', and any of these can assume 'channel captaincy' (Kotler, 2003: 522; Ripley, 2007). Mostly, the manufacturer is portrayed as the channel captain - someone who 'exerts substantial influence to lead, own and franchise other channel members'.

In turn, a *horizontal marketing system* (Kotler, 2003: 524; Ripley, 2007), relates to 'two or more unrelated companies which pool resources or programs together to exploit an emerging marketing opportunity'. A prime example of this aspect could be the landmark Daimler and Chrysler merger (explored in Chapter 3).

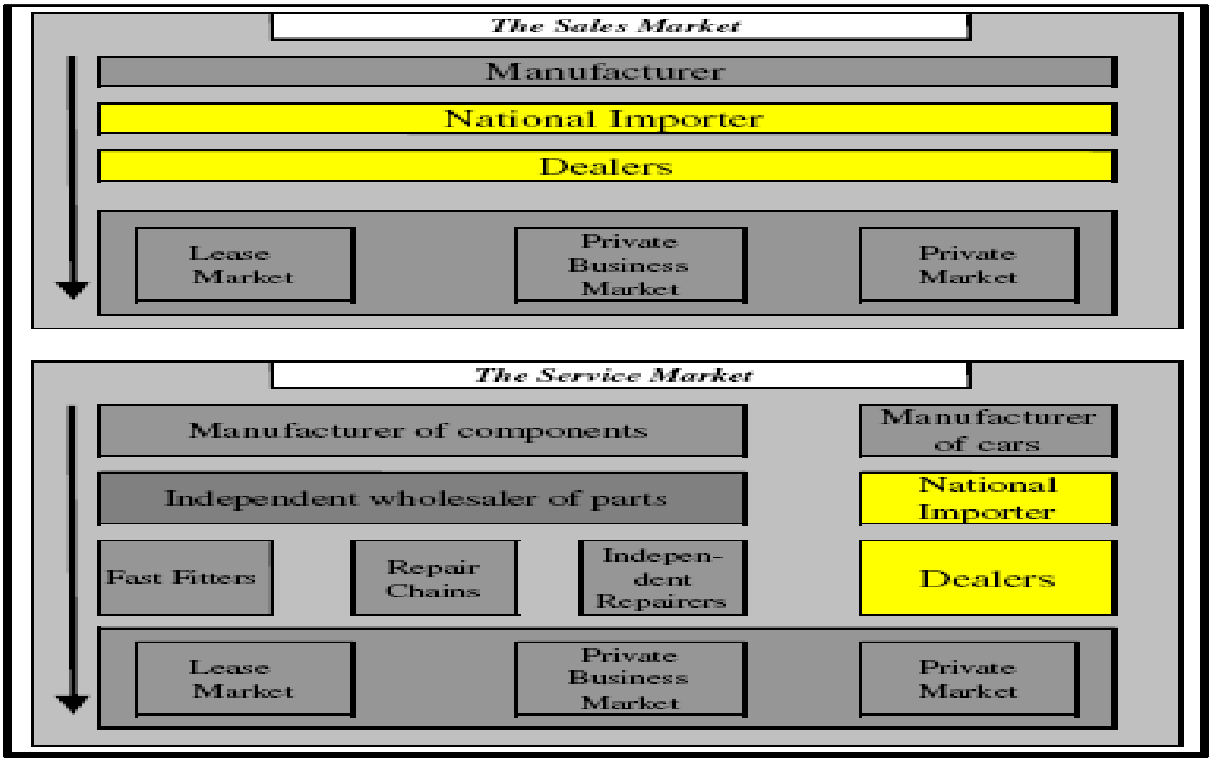
Lastly, *multi-channel marketing* is a hybrid system which 'blends the experiences of both vertical and horizontal systems' (Kotler, 2003: 524). The assessment by Geng and Mallik (2007), Perner (2007), and Webb and Lambe (2007), is that under this arrangement a firm uses more channels to reach many customer segments.

Incidentally, Rosenbloom's (2007) take on the issue is that more importantly, it is not necessarily about the number of channels, but it has everything to do with finding the optimal channel mix.

2.4 The Automotive Retail Distribution Environment

The vehicle industry encompasses vehicle and components manufacturing, distribution and retailing (Manoim, 2001), complemented by the vehicle service market (Koolen, Taminiau and Faber, 2005). This is illustrated in Figure 2.10.

Figure 2.10: The Vehicle Sales and Service Landscapes



Source: (Koolen *et al.*, 2005: 415)

Trying to make sense out of Koolen's *et al.* (2005) model, manufacturers utilize two business processes, designated as *sales* (new and used vehicles retailing) and *service* (repairs and components supply) *segments*, respectively. In turn, the intermediaries interface with customers, and capitalize on leasing, private business and private arrangements, respectively.

2.4.1 Responsive Vehicle Supply

According to Holweg, Disney, Hines and Naim (2005), and Paturkar (2007), conventionally, vehicle supplying and retailing was based on 'forecast-driven production'. This means that the vast majority of vehicles were sold from existing finished products inventory in the market place (Holweg *et al.*, 2005; Paturkar, 2007). As clarified by Paturkar (2007), this resulted from distribution systems which remained stagnant whilst manufacturing processes were re-engineered.

To say the least, Parment (2008) explains that firms stand to benefit from a reduction in distribution costs by as much as 20% by restructuring the distribution strategy. According to Paturkar (2007), this can only be attained on the back of changing from the traditional *push* (stock-holding of vehicles longer than is necessary at different stages in the distribution chain) to the *pull* (delivery of vehicles to orders) *system*.

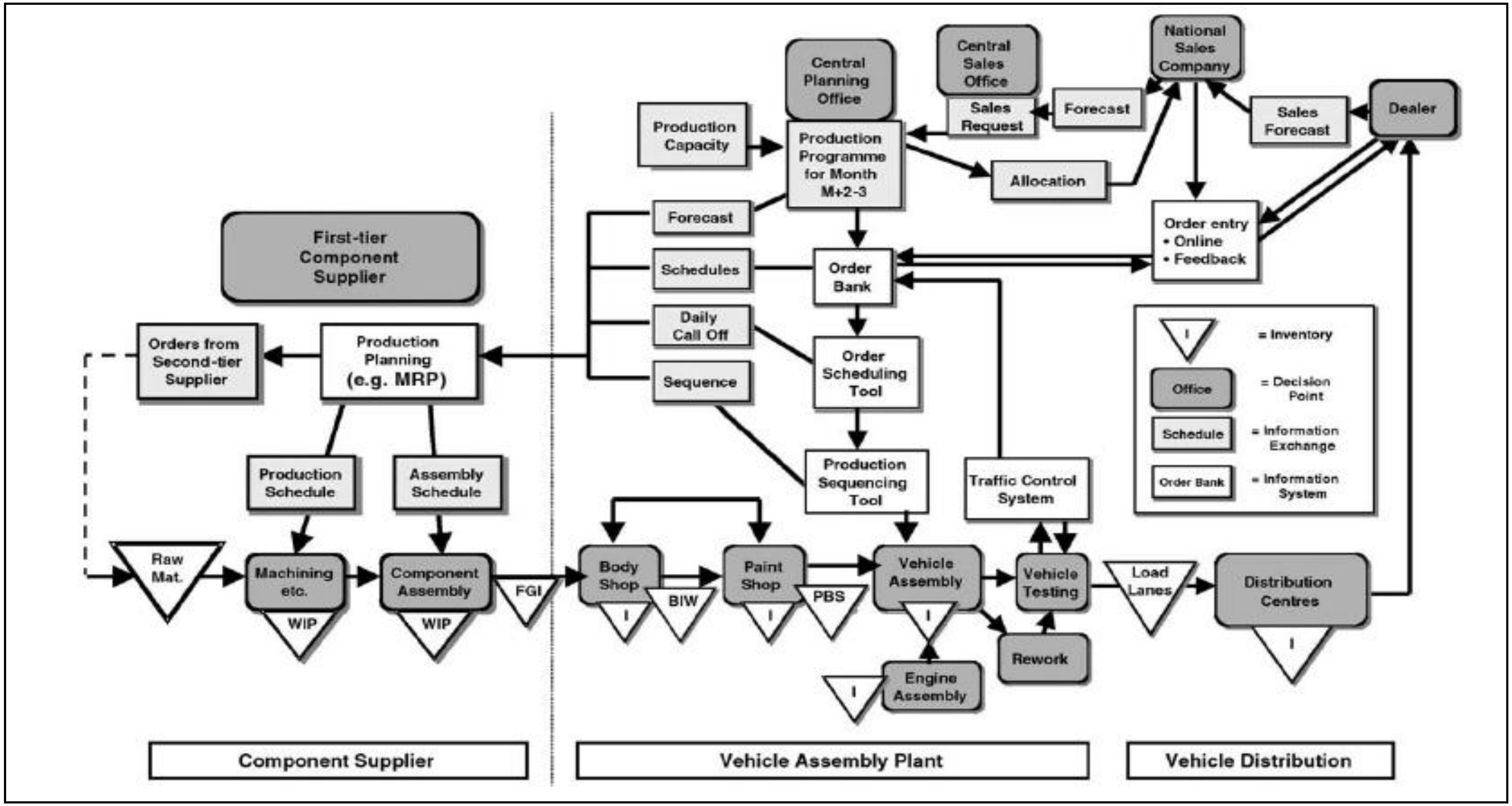
The pull system is consistent with *financial accounting practices,* which dictate that holding stock on the showroom attract inventoriable costs (tied-up income) (Garrison *et al.*, 2006: 39; Holweg *et al.*, 2005). The relative costs are incurred as the vehicles 'go into inventory awaiting sale' (Garrison *et al.*, 2006: 39), leading to losses in 'sales incentives' (Holweg *et al.*, 2005: 507).

From Holweg's *et al.* (2005: 508) point of view, preferably, 'customers would rather wait and order a vehicle instead of buying one from the dealer's lot or showroom, assumed to be incorrectly equipped'. However, Geng and Mallik (2007: 705) strongly feel that holding stock is justifiable since, 'if one channel is out of stock, customers have a choice of visiting the other channel', albeit 'inducing inventory competition between the channels'.

From a different perspective, Rosenbloom (2007: 6) presents two *multi-channel strategy synergies*. (1) The premise is that 'different channels in the mix help each other out'. (2) The multi-channel strategy comes across as a *zero sum game* – 'if one channel gains customers, then the other channel must have lost customers'.

Coupled to this, vehicle makers came up with innovative *order-to-delivery (OTD) lead-times* (Holweg *et al.*, 2005: 508), to curb vehicle stock-holding at the dealerships. These are '*ordering* and *delivery times* for vehicles built to customer order'. Figure 2.11 below illustrates the lead-times via process mapping from vehicle makers, through distribution up to retailing.

Figure 2.11: Simplified Generic Order Fulfillment Process Mapping



Source: (Holweg *et al.*, 2005: 510)

Of particular interest to this study, is the *vehicle distribution component* of the model, which illustrates the customer vehicle order path from the time the order is placed up to the delivery time. The lead-times under review are crucial for this research as they form part of the evaluation of the brand campus concept from the perspectives of customers.

Carrying on with the discussion, for example, Renault's *Project Nouvelle Distribution (PND)* was intended at delivering vehicles within 14 days OTD lead-times (industry standard) (Holweg *et al.*, 2005). This program is similar to Mercedes-Benz's *New Distribution Policy (NPD)* system (discussed in Chapter 3). NDP is modeled along the lines of Holweg's *et al.* (2005) process mapping.

Similarly, Volkswagen and Ford targeted the same times - about 14 to 15 days, and whilst seizing the moment, BMW attempted to expeditiously deliver vehicles within 10 days (Holweg *et al.*, 2005). The pioneer in adopting these programs, Volvo, 'forecasted delivery times of 28 days (initially 6 weeks) in the early 1990s, before settling for about 14 days (1995)' (Holweg *et al.*, 2005: 508).

2.4.2 The Vehicle Dealership Landscape

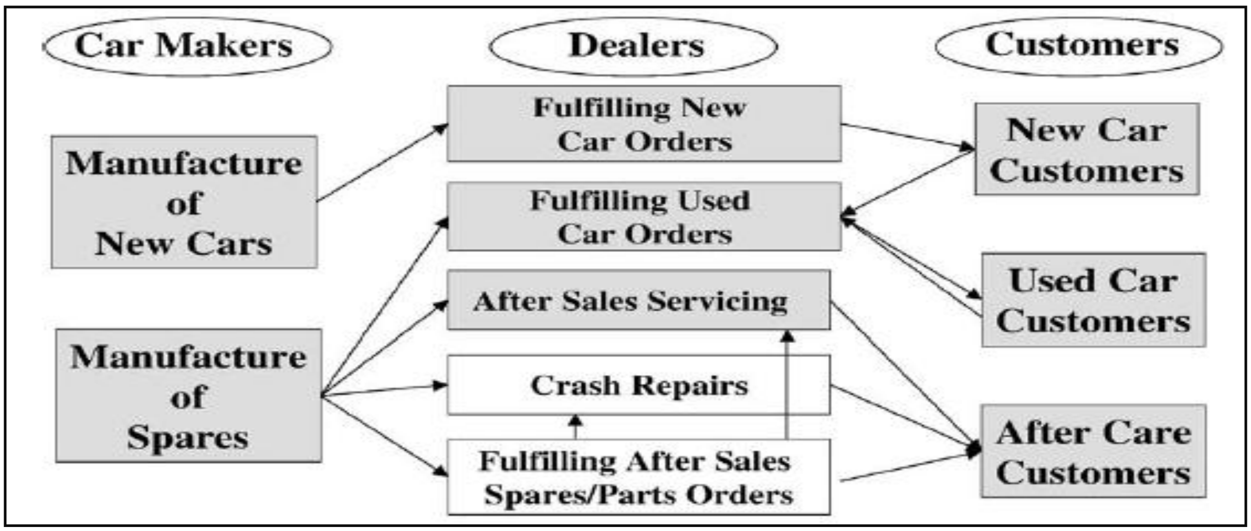
The research context premise is that there is a *single vehicle manufacturer* - Mercedes-Benz, and *several exclusive dealers* (Sandown, Imperial, Barloworld, McCarthy and independents - the full discussion is in Chapter 3). Manufacturers (in this case, vehicle makers) *outsource* the distribution responsibilities to intermediaries (dealers) (Parment, 2008), based on channel efficiency, economies of scale, or labor costs (Xia and Gilbert, 2007).

Gaiardelli, Saccani and Songini's (2007) literature is consistent and clear when it comes to vehicle makers' and dealers' contractual arrangements concerning vehicle distribution, marketing, and retailing functions. It is the view of Hines *et al.* (2002), that dealer responsibilities revolve around two *business processes,* namely: (1) *new* and *used vehicle sales*. (2) The provision of impeccable *demand-enhancing services*, which come with the purchase of a vehicle in the manufacturer's line, is critical (Xia and Gilbert, 2007).

As concerning the latter, Parment (2008) is of the notion that central to the dealer functions, are common fundamental issues incorporating vehicle-tailored packages. Literature on service delivery reiterates that the core tasks encompass dissemination of 'product information, maintenance service or warranty repairs' (Xia and Gilbert, 2007: 253), and vehicle financing and vehicle insurance services (Klein and Selz, 2000; Parment, 2008).

Xia and Gilbert (2007) credit the increase in customer's perceived value of the product to these extrinsic product features. The full complement of vehicle dealerships' responsibilities is depicted in Figure 2.12.

Figure 2.12: The Core Responsibilities of Vehicle Dealerships



Source: (Hines *et al.*, 2002: 711)

Referring to Hines' *et al.* (2002) model, the exception to most dealer responsibilities, is the *'crash repair'* aspect. According to Manoim (2001), in most cases, specialized repair works such as panel-beating for instance, are 'outsourced' to panel-beaters. When all is said and done, according to Brooks and White (1996), and Xia and Gilbert (2007), there is a clear distinction between: (1) *base warranty* – which is an obligation of responsibility assumed by the manufacturer that promises certain services to the buyer for a given period of time; and (2) *extended service contract (ESC)* – which concerns the additional warranty that customers can purchase from independent service providers at the same time as the product they cover or at the same point (dealership) afterwards.

Without passing on the opportunity to highlight the discrepancies, Xia and Gilbert (2007: 253) note that 'some dealers provide minimum warranty repairs, whilst others go to extraordinary lengths to make it convenient for their customers'. This consists of holding large inventories of spare parts to facilitate timely repairs, scheduling appointments, or even shuttle services (Xia and Gilbert, 2007).

Gaiardelli's *et al.* (2007: 698) opinion is that, the dealers' main revenue streams are from service offering, which 'eclipses four to five times higher, profits generated from actual vehicles sales'. In practice, this is largely-accomplished via a *repeated purchases model,* where 'the dealer sells the 'master product' (the vehicle) and the customer repeatedly returns for the after-sales vehicle support at a cost' (Thompson *et al.*, 2007: 13).

This makes customer-focus a top priority. In this regard, one study cited in Garrison *et al.* (2006: 59) shows that 'customers who have had bad experiences tell approximately 11 people about it, and are unlikely to buy the product or service again'. The impetus for dealers to perform well stems from two contrasting scenarios:

- From this viewpoint, dealership owners manage their outlets better than 'wage-earning' managers, relative to the proverbial *'principal-agent theory'* (Penttinen and Palmer, 2007: 553). The theory is described by Salvatore (2004: 11) as that, 'managers (agent) are more interested in maximizing their utility instead of maximizing corporate (principal) profits'.
- Parment (2008) notes that dealers generate more revenue since they receive the residual income of the business they manage. The spur for managers of company-owned outlets is less since they do not bear the full costs or receive the full benefits of their decisions.

These viewpoints are summed in a fascinating review given by Parment (2008: 257), as follows:

- 'He who manages his own business and runs the risk of losing his own money works with greater feeling and interest for profits and costs compared to a branch manager'.

Notwithstanding 'the primary area of customer contact being the vehicle dealer', research shows that 'there exists an unbalanced relationship between the manufacturer and the respective retailers' (Parment, 2008: 256). Kotler (2003: 518), Parment (2008: 257), and Perner (2007) are of the opinion that manufacturers derive their power from the following bases (discussed earlier):

- *Coercive* (i.e. the ability to terminate the dealer agreements); and
- *Non-coercive* (i.e. bonuses and assistance) to ensure dealers comply with their policies.

The over-arching importance of information technology (IT) in a consumer-driven market environment cannot be over-emphasized (Buhalis and Deimezi, 2003). Hough and Neuland (2007: 273), and Merz (2006) explain this as dissemination of crucial information, and facilitation of communication, documentation, payments and the decision-making process. Buhalis and Deimezi (2003) hold the view that in developed nations for instance, consumers heavily-depend on the all-important electronic media for product and service information.

2.4.3 Exclusive Vehicle Distribution System

In the past, the one-dimensional vehicle distribution and retailing environment, according to the Architect and Builder (2006), and Manoim (2001), was characterized by multi-franchised vehicle dealerships and multi-branded showrooms, where different and often competing brands were positioned next to each other. A number of reasons have been advanced for this argument, and Klein and Selz (2000) describe the traditional distribution network challenges as follows:

- Overcrowded markets with too many dealers, involving high capital inventory costs, selling fewer vehicles per annum, with low operating margins, utilizing old-fashioned selling techniques, and delivery of inferior service quality;
- National or regional price discrimination and lack of market transparency, which opened the niche for arbitrageurs;
- The established governance structures hindered the distribution networks from upgrading their service offerings or diversification into new distribution channels; and
- In sum, Perner (2007) explains that when a firm holds several different brands, different marketing and distribution plans are required for each.

Kotler (2003: 520) explains that over time, distribution channels become ‘outmoded, creating a gap between existing and ideal distribution systems’. At great length, Geng and Mallik (2007: 704) point out that in the face of mounting competition, firms need to ‘freshen up’ their distribution channels to ‘squeeze out inefficiencies’.

Overall, incremental analysis as described by Kotler (2003: 520), demands ‘overhauling the channel structure, retaining the status quo, or dropping the individual channel member or particular market channel’. According to Kotler (2003: 520), dropping a channel member entails ‘accounting for the firm’s outlook, sales loss or gain prospects without the intermediary’.

2.4.4 Vehicle Sales and Service Markets

The conventional automotive retail distribution network can be classified into three strategic business segments as acknowledged by Hines *et al.* (2002), and Manoim (2001). These are: (1) market for the distribution and retailing of both new and used vehicles; (2) market for vehicle servicing; and (3) market for the vehicle components supply.

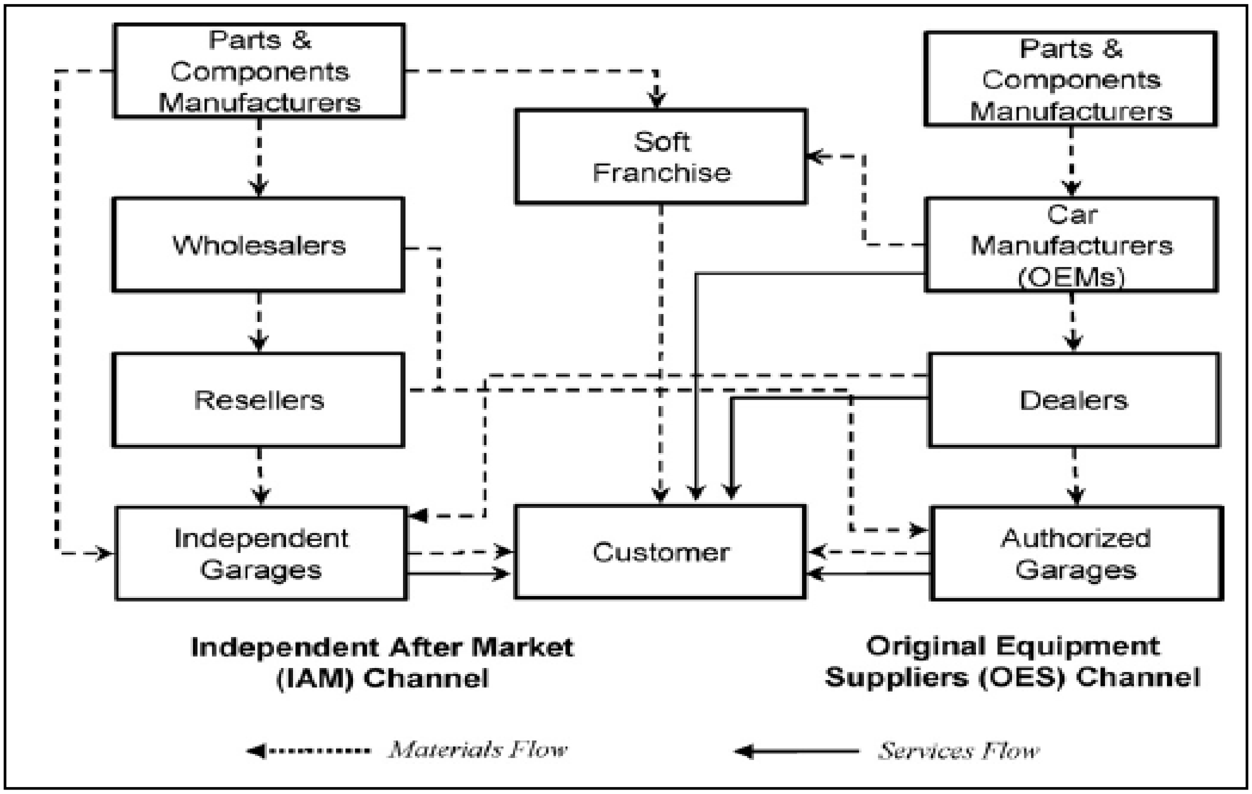
The *new vehicles sales market* incorporates after-sales service packages or maintenance plans, which accompany new vehicle sales (Manoim, 2001), such as: insurance, warranty and guaranty. From the customer perspective, it is not about 'buying a new vehicle' alone, but also evaluation of the behavior of the retailer's staff, facilities and after sales service (Hines *et al.*, 2002).

Moving on, the vehicle distribution dynamics entail that once a new vehicle has been sold it depreciates in value, and if the owner opts to resell the same vehicle it will be traded in the *used vehicles sales market* (Manoim, 2001). For that matter, vehicles in this market, according to Manoim (2001), are sourced: (1) as trade-in vehicles from customers; (2) from manufacturers' vehicle auctions; or (3) from demonstration stocks.

Next, the *vehicle service market* provides for after-sales vehicle back-up via leasing, private business and private agreements (Koolen *et al.*, 2005). The deduction by Hines *et al.* (2002), and Manoim (2001), highlight that the support includes: scheduled maintenance, and pre-delivery vehicle inspection at the dealerships. Additionally, downstream service industry providers, as noted by Koolen *et al.* (2005), encompass: fast fitters, repair chains, and independent repairers.

According to Manoim (2001), the demand for the *vehicle components* and *spare parts market*, comes principally, from: (1) vehicle fleet owners, such as car rental firms; (2) the vehicle repair industry; or (3) the independent vehicle workshops. This process between vehicle parts and components manufacturers and business customers is depicted in Figure 2.13 below.

Figure 2.13: The After-Sales Service Chain for the Automotive Industry



Source: (Gaiardelli *et al.*, 2007: 702)

Looking closely at Gaiardelli's *et al.* (2007) model and referring to the *services flow*, in between parts manufacturers and customers is a set of intermediaries (dealers) which if synergistically integrated can attain superior customer satisfaction levels.

Overall, this study was primarily-concerned with the automotive dealers' aspect. It is at the manufacturer's discretion to sell vehicle parts and components to customers directly, or through a dealership or wholesaler, as Figure 2.13 above shows.

2.5 Summary

To cap on this chapter, the primary concern was on reviewing the literature pertaining to the field of study, automotive retail management. The discussion started with an overview of the marketing strategy, narrowing down to the marketing mix, from which culminated the distribution strategy. This constitutes the backbone of this research, since the subject matter, the brand campus concept is a distribution initiative.

Thereafter, the next discussion was designing and managing integrated marketing channels through – identification and prioritizing of channel functions, and customer service output level measures. This led to the ultimate, the brand campus concept, where the literature was confined to two aspects, namely; service branding and the concept of the corporate visual identity system. The former revolved around the intangible aspects, whilst the latter was focused on the physical side of what the brand campus concept entails.

The next topic to be reviewed was the legal technicalities of the brand campus concept in general, under three headings: unfair competition practices, cartel arrangements, and franchising and marketing systems.

Finally, the chapter concluded with a discussion on the automotive retail industry dynamics, primarily on the responsive vehicle supply, exclusive distribution system, and the vehicle sales and service markets. The angle of analysis focused on how these topics relate to the brand campus concept.

Chapter 3: The Brand Campus Concept Dynamics

This chapter provides the synergy between the theory on the field of study - automotive retail management, and the subject matter, the brand campus concept.

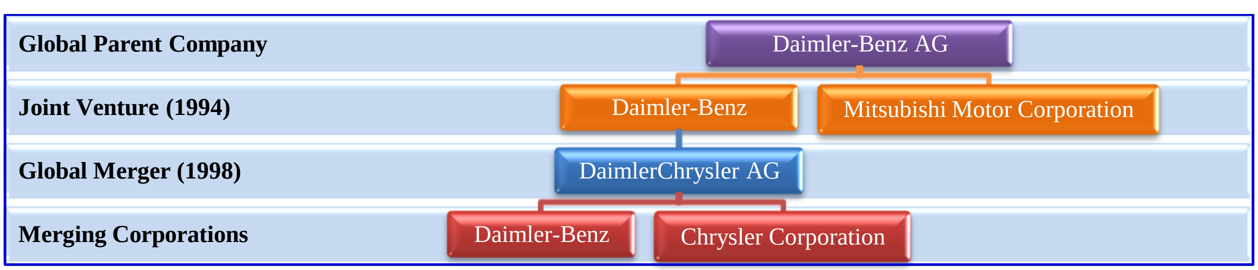
3.1 Background: Daimler-Benz AG

A merger is defined by the Competition Commission (2008), as 'the direct or indirect acquisition, or direct or indirect established control by one or more persons over all significant interests in the whole or part of the business of a competitor, supplier, customer or other persons'.

From a strategic perspective, Daimler-Benz AG (DBAG) adopted the Daimler and Chrysler merger at global corporate level, and locally, the DCSA-Sandown merger (discussed later). The inference from Salvatore (2004: 382), imply that 'mergers improve the global appeal of corporations through important synergies from the joint operations'.

What is more, 'internal growths and mergers facilitate global oligopolies through corporate concentration and globalization' (Salvatore, 2004: 382). That said, Thompson, Strickland and Gamble (2007: 168) describe a merger as a 'pooling of equals, with the resultant firm often assuming a new identity'. This tends to justify the Daimler-Benz-Mitsubishi joint venture, and subsequently, the previously unimaginable merger with Chrysler, as depicted in Figure 3.1.

Figure 3.1: Overview: The DaimlerChrysler Expansion Program



South Africa is largely-credited for being the first country to embrace the DaimlerChrysler merger (DaimlerChrysler, 2005). The *corporate strategic goal* of DaimlerChrylser was based on two dimensions (DaimlerChrysler, 2006), stated in Table 3.1 below.

Table 3.1: Two DaimlerChrysler Strategic Goals

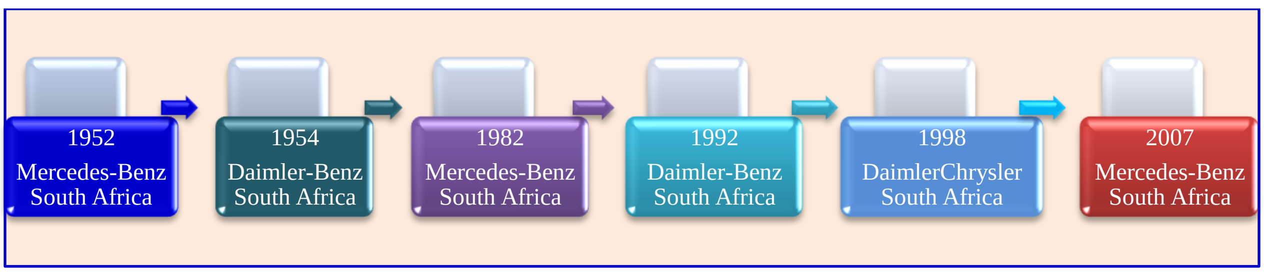
Dimension	**Deliverables**
Superior Customer Experience and Products	DaimlerChrysler evaluates customer satisfaction via external quality and internal survey metrics, and boasts of superior product engineering design and development
High Performing and Inspired People	To attract and retain a multi-skilled workforce, DaimlerChrysler subscribes fully to South African principles of employment equity, accords employees usual company benefits and strongly emphasizes on continual employee development and training

Source: (DaimlerChrysler, 2006)

3.1.1 DaimlerChrysler AG: 1998 - Onwards

Pretoria-based premium vehicle maker, then DaimlerChrysler South Africa (Pty) Ltd (DCSA), was a wholly-owned subsidiary of Germany's conglomerate, DaimlerChrysler AG (DCAG) (Barnes and Morris, 2004; DaimlerChrysler, 2005). A brief history of the South African subsidiary is shown in Figure 3.2.

Figure 3.2: Timelines: The Continual Re-Invention of Mercedes-Benz South Africa



Source: (MBSA, 2008)

From Figure 3.2, it is apposite at this juncture to clarify that the period under review for this study, was from 2002 when the brand campus concept was introduced at DCSA, until the de-merger between the two corporations in 2007, when the organization reverted to MBSA.

Therefore, the evaluation of the brand campus concept was under DCSA (from 2002 to 2007), but when this research was conducted in 2008 onwards, the organization was now MBSA. That said, the research site was MBSA and the interview participants were MBSA employees.

Also deducing from Figure 3.2 above, it is imperative to highlight that the name *Daimler* is predominantly identifiable in Europe, whilst *Mercedes-Benz* is easily recognizable elsewhere (Johnson, 2008). According to DaimlerChrysler (2005), MBSA prides itself in 'meeting the transportation and motoring needs of African and emerging markets'.

This initiative is accomplished through 'marketing, distribution and retailing of quality vehicles and parts, and provision of reliable after-sales support' (DaimlerChrysler, 2005). DCAG's South African investments portfolio for 2002 is shown in Table 3.2, and the period was chosen solely because it coincided with the introduction of the brand campus concept.

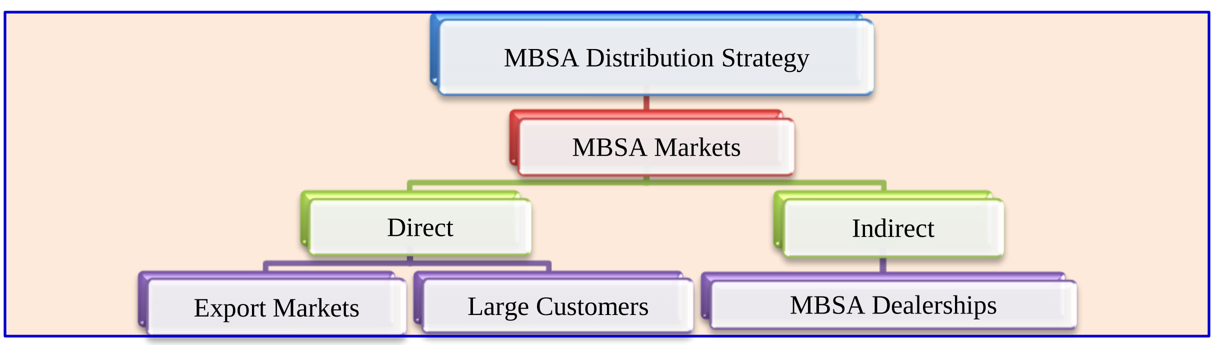
Table 3.2: The 2002 DCAG's South African Investments Portfolio

DaimlerChrylser AG: South African Subsidiary	**Location**	**% Capital Share**
DaimlerChrysler South Africa (Pty) Ltd	Pretoria	100
DaimlerChrysler Manufacturing South Africa (Pty) Ltd	East London	100
DaimlerChrysler Aviation (Pty) Ltd	Pretoria	100
Koppieview Property (Pty) Ltd	Centurion	100
Sandown Motor Holdings (Pty) Ltd	Braynston	75
Atlantis Foundries (Pty) Ltd	Dassenberg	100
DaimlerChrysler Financial Services South Africa (Pty) Ltd	Centurion	100
debis Fleet Management (Pty) Ltd	Centurion	65

Source: Adapted from DaimlerChrysler (2006)

The Competition Commission (2001), and Manoim (2001, 2002), clarify the two distinct marketing channels MBSA uses to market, distribute and retail their products as Figure 3.3 shows.

Figure 3.3: MBSA Distribution Structure



From Figure 3.3, the two distribution channels are distinguished by Kotler (2003 : 508) as: (1) *Directly* – short marketing channels with a single- or no-channel level for retailing straight to customers (e.g. MBSA's direct export markets, and large customers, such as, car rental firms). (2) *Indirectly*, these are longer marketing channels with two- or more-channel levels for retailing through intermediaries (e.g. MBSA dealerships).

3.1.2 DCSA's Focused Differentiation Generic Strategy

Then DCSA, utilized a 'focused market generic differentiation strategy' (Lamb Jr. *et al.*, 2004: 115), aimed at 'securing competitive advantage via renowned and luxury vehicle brands' (Thompson *et al.*, 2007: 153). Invariably, the niche market strategy appeals to 'exceptional customer needs and preferences' (Thompson *et al.*, 2007: 153), of a narrow buying segment with the least competition (Perner, 2007).

Parment (2008: 250) stresses that 'buyers of premium brands seek superior value that reflects the brand's *raison d'être* and justifies the significant price premium'. Parment (2008: 255) believes that 'luxury brands must be desired by all but consumed only by the happy few'. This epitomizes 'the identity acquired through an attractive brand which cannot be substituted for anything' (Parment, 2008: 255). This interpretation is captured by Parment (2008: 255), as follows:

- 'For up-market vehicles, the feeling that you have made it, that certain feeling of fulfillment and personal success through buying and owning a BMW are typically the results of pure faith. They cannot be substantiated by any of the post-purchase driving experiences; it is a collective belief which is more or less shared by buyers and non-buyers'.

Of strategic importance, Peacock (2008) infers that this niche market is 'less-susceptible to the vagaries of economic cycles than the high-volume passenger vehicle segment'. Evidently, the reasons for this situation vary, and two scenarios are summed up by Peacock (2008):

- During *economic upswings*, the market is less vulnerable to interest rates and debt pressures when sales do not accelerate *at the same rate* as the rest of the market; and
- Correspondingly, during *economic downturns*, the market does not decelerate *equally-fast*.

At this juncture, it is vital to highlight that three characteristics clearly stand out within this 'privileged' group of vehicle buyers, who 'easily' weather the economic storms. These are:

- Most luxury vehicle buyers hardly rely on conventional bank financing, and often engage in outright cash purchases (Peacock, 2008);
- Buyers are willing and able to pay a huge price premium for the best vehicles (Thompson *et al.*, 2007: 153), and
- Buyers are 'less price-sensitive, make a concerted purchasing effort' (Kotler, 2003: 411), and are 'preoccupied with value for money' (Slack *et al.*, 2007: 120).

Vouching for Mercedes-Benz as a low economic risk, it is an exclusive brand with an excellent high resale value (Parment, 2007). In this regard, the MBSA dealers compete in the ‘luxury and specialty vehicle segments’ (Kotler, 2003: 411), which offer value for money (Peacock, 2008).

Competitors in the luxury car segment include: Mercedes-Benz, Maybach, Chrysler, BMW, Lexus, Audi, Jaguar, Cadillac and Lincoln. These brand categories are the embodiment of prestige, and are perched at the top-end of the vehicle market pyramid (DaimlerChrysler, 2006).

The wealthy clientele, who are well-heeled at the upper end of the economic scale (DaimlerChrysler, 2006), ‘want to be seen to be buying the right labels’ (Lamb Jr. *et al.*, 2004: 223). At this point, it is important to explain briefly, the Daimler and Chrysler de-merger, when the organization reverted to Mercedes-Benz.

3.1.3 The De-Merger Explained: Daimler and Chrysler

The 2007 collapse of the nine-year DaimlerChrysler merger was inevitable. This was largely because of the distinct incompatibility between the two corporations, with pronounced ‘contrasting organizational and management styles, and cultural and fundamental differences’ (Kotler, 2003: 69). These are summarized in Table 3.3.

Table 3.3: Summary: Daimler and Chrysler Business Backgrounds

Organization	Base Country	Business Custom	Communication and Interaction Lines	Contemporary Interpretation of Showroom Styles
Chrysler Corporation	US	Delegates power to lower-ranked management	Short command lines	American Art *Décor* Influence
Daimler Corporation	Germany	Classic bureaucracy	Long command chain	Classic European Architecture

Source: (Architect and Builder, 2006; Kotler, 2003: 69; Salvatore, 2004: 384)

If the contents of Table 3.3 are anything to go by, then from a considered opinion, the de-merger was justified since, ‘cultural differences are capable of decreasing opportunities for meaningful interactions’ (Rose *et al.*, 2007: 297). Pursuant to the de-merger, *Daimler* (Mercedes-Benz, Smart Car, Maybach), and *Chrysler* (Chrysler, Jeep, Dodge), retained their original respective brands (MBSA, 2008). On the face of it, the post-merger era meant the two firms reverted to head-to-head competition, which in a way was ‘circumvented’ during the merger period.

One benefit to emerge out of the DaimlerChrysler amalgamation was that Chrysler's dealer network snowballed from 8 to about 25 during 1999 (DaimlerChrysler, 2005). In addition, there was an improvement in service delivery and parts availability (DaimlerChrysler, 2005). Overall, the end of the once touted 'merger of equals' Kotler (2003: 69), heralded the renaming of the organization to Mercedes-Benz again (MBSA, 2008).

3.2 DaimlerChrysler Dealership Rationalization Strategy

Market research findings such as the independent research group MFBI's 2001 report cited in Macnab (2008), and then DCSA's 2000 internal risk audit analysis (DaimlerChrysler, 2002a), clearly indicated that 'customers wanted more professional and innovative standards and processes in their retail experiences'. The DCSA audit unearthed several *key problem areas* due to the merger with Chrysler (Architect and Builder, 2006; Manoim, 2002). These are summarized in Table 3.4.

Table 3.4: Major Challenges Following the 1998 Daimler and Chrysler Merger

Key Problem Area	**Description**
Brand strength dilution	Seemingly, Mercedes-Benz and Mitsubishi brands in the same showroom only served to 'diminish' the premium *marquee* - Mercedes-Benz, from the customer's perspective
Outmoded distribution network	The more than 80 distribution infrastructure were haphazardly-distributed, with no clearly-defined areas of responsibilities
Service capacity problems	Long service lead-times resulted due to the diverse technical competences required for the divergent DCSA brand offerings
Old working environment and facilities	The dealership infrastructure were not correspondingly upgraded to accommodate the increased DCSA product offering
Intra-brand competition	Competition between DCSA dealers was based on the pricing and service level differentials, competing for the same market segments and in the same regions

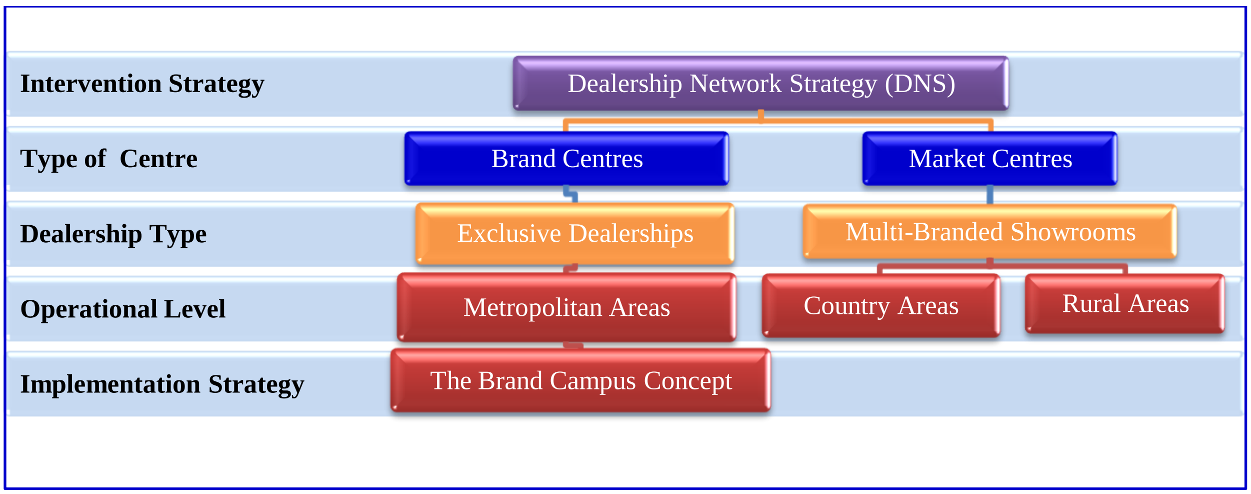
Source: (Architect and Builder, 2006; Manoim, 2002)

As a result of this analysis, DCSA overhauled the *traditional distribution network* by implementing a sustainable turnaround program, the new *Dealership Network Strategy (DNS)* (Architect and Builder, 2006; Competition Commission, 2001; DaimlerChrylser, 2007; Klein and Selz, 2000). As Parment (2008: 256) asserts, 'manufacturers restructure their dealer networks to satisfy their markets via inventive approaches'.

The impression in Architect and Builder (2006), and by Johnson (2008), implies that as part of the package, DNS focused on *brand separation* in the marketing of brands, consistent with the global marketing strategy of DBAG. Parment (2008: 255) supports this position, stressing that 'manufacturers implement brand separation programs to make communication brand-specific, and hence, eliminate competition in the showrooms'.

This balanced intervention strategy by DCSA created a leaner and more efficient distribution network by reducing sales points, and instead, increasing service centres to eliminate service capacity problems (Manoim, 2001). The DNS structure is outlined in Figure 3.4.

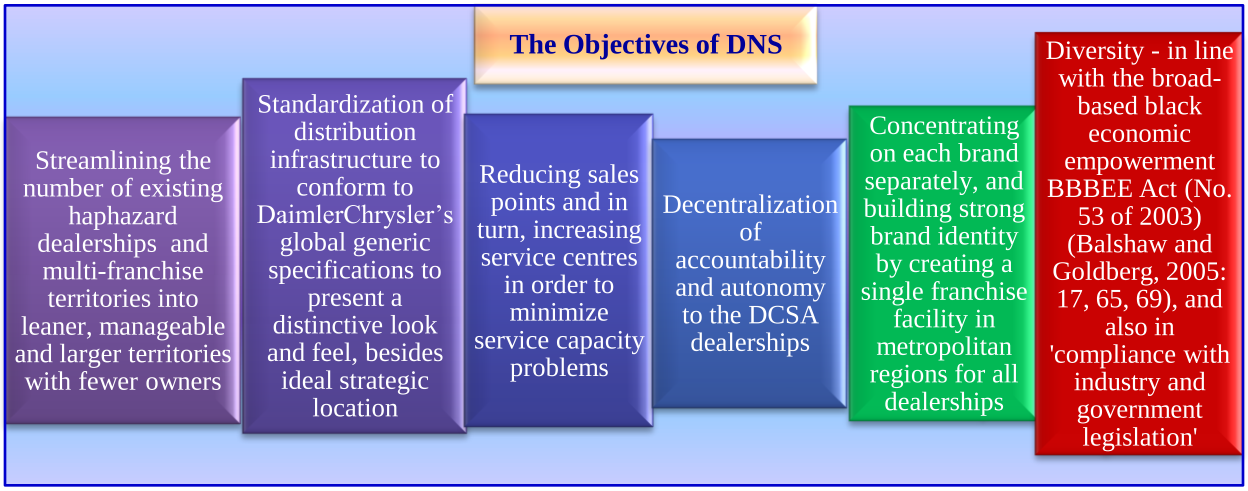
Figure 3.4: DNS Unpacked



3.2.1 The Key Priority Areas of DNS

In terms of the DNS, then DCSA revolutionized the dealer network into *brand* and *market* centres (Johnson, 2007; Manoim, 2001). From Parment's (2008: 255) perspective, this *retail* and *geographical restructuring* was defined in terms of 'streamlining the sales and service outlets by numbers, size and geographical dispersion'. The DNS goals are summarized in Figure 3.5 below.

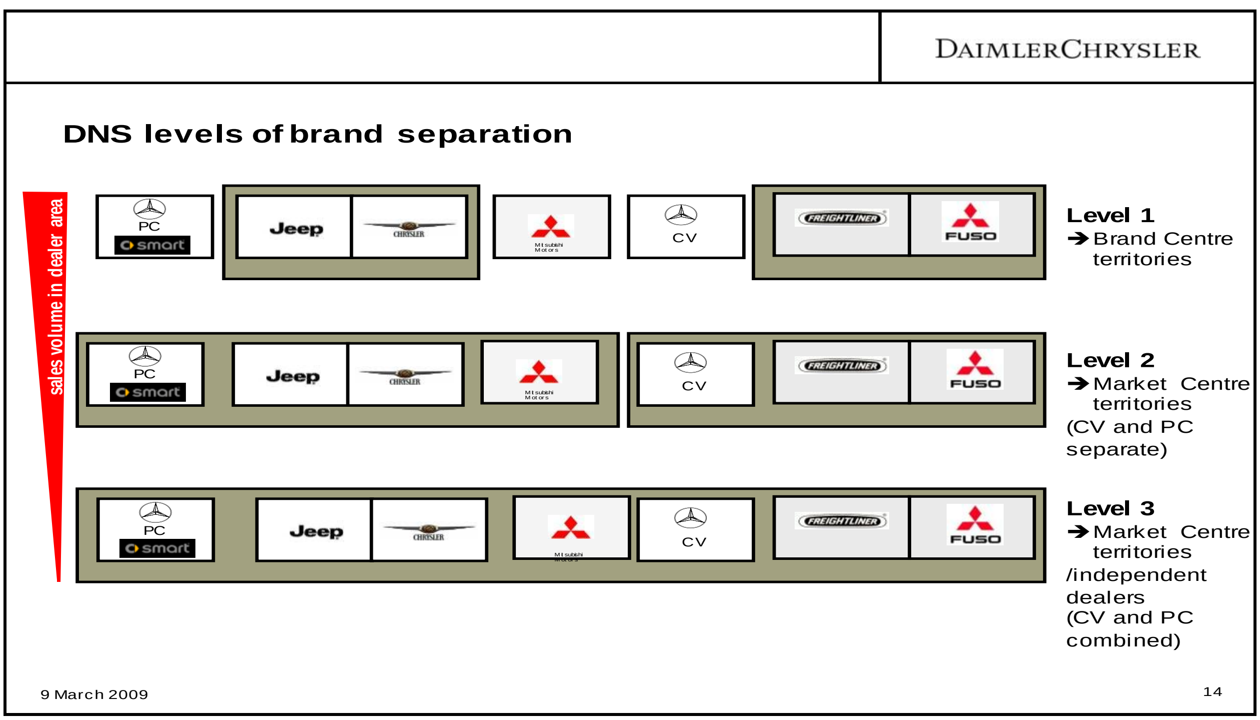
Figure 3.5: The Desirable Outcomes of DNS



Source: (DaimlerChrylser, 2007; Johnson, 2007; Manoim, 2001)

Three DNS levels of brand separation were created (Johnson, 2007, 2008), as shown in Table 3.5 below. They are: Level 1, which was concerned with the *brand centre territories*; Level 2 (*market centre territories)*; and Level 3 (*market centres* and *independent dealers)*.

Table 3.5: DNS Territorial Levels: Brand Separation



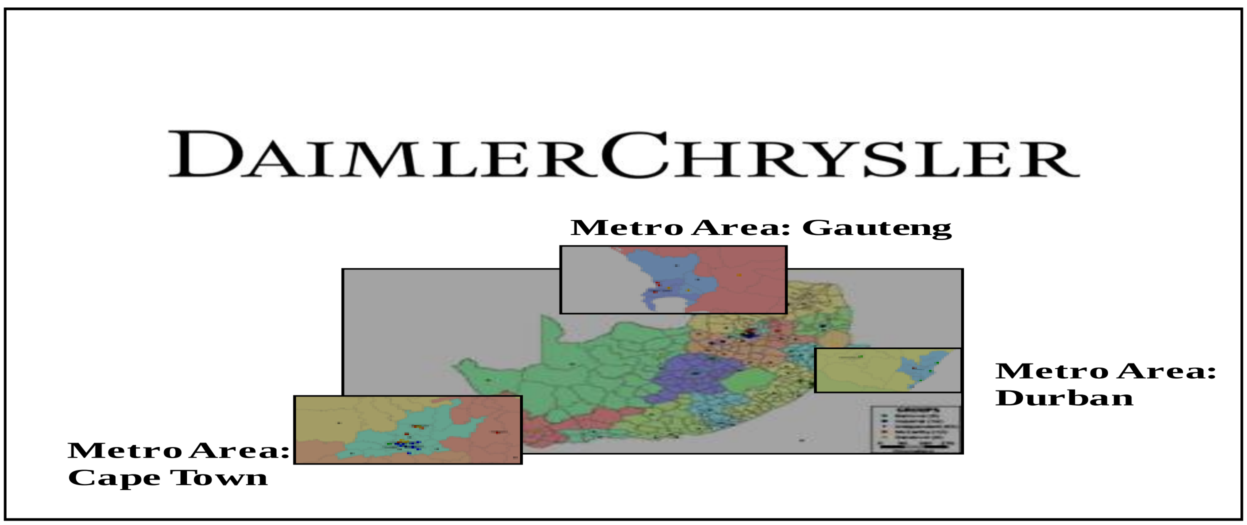
Source: (Johnson, 2007)

As pointed out in DaimlerChrysler (2002a), DNS affected only the metro dealer network without impacting on the country and rural dealers' representation. This arrangement goes against current conventional wisdom, which maintains that when restructuring, rural dealers tend to be the first to be discarded or lose their franchise agreements (Parment, 2008).

That said, Architect and Builder (2006), and Johnson (2007) made it abundantly clear that: (1) in *urban* and *metro areas*, each brand existed separately in its own building, and particular to each brand design character. (2) However, the *country* and *rural* dealers retained multi-branded environments, and the Mercedes-Benz design as the leading brand.

In the grand scheme of things, the *brand centres* were demarcated into *five main sales metropolitan regions* (Competition Commission, 2001; Lamb Jr. *et al.*, 2004: 289; Manoim, 2002), namely: Johannesburg (Gauteng East and West); Pretoria (Gauteng North), Durban (KwaZulu-Natal) and Cape Town (Western Cape). These are shown in Figure 3.6.

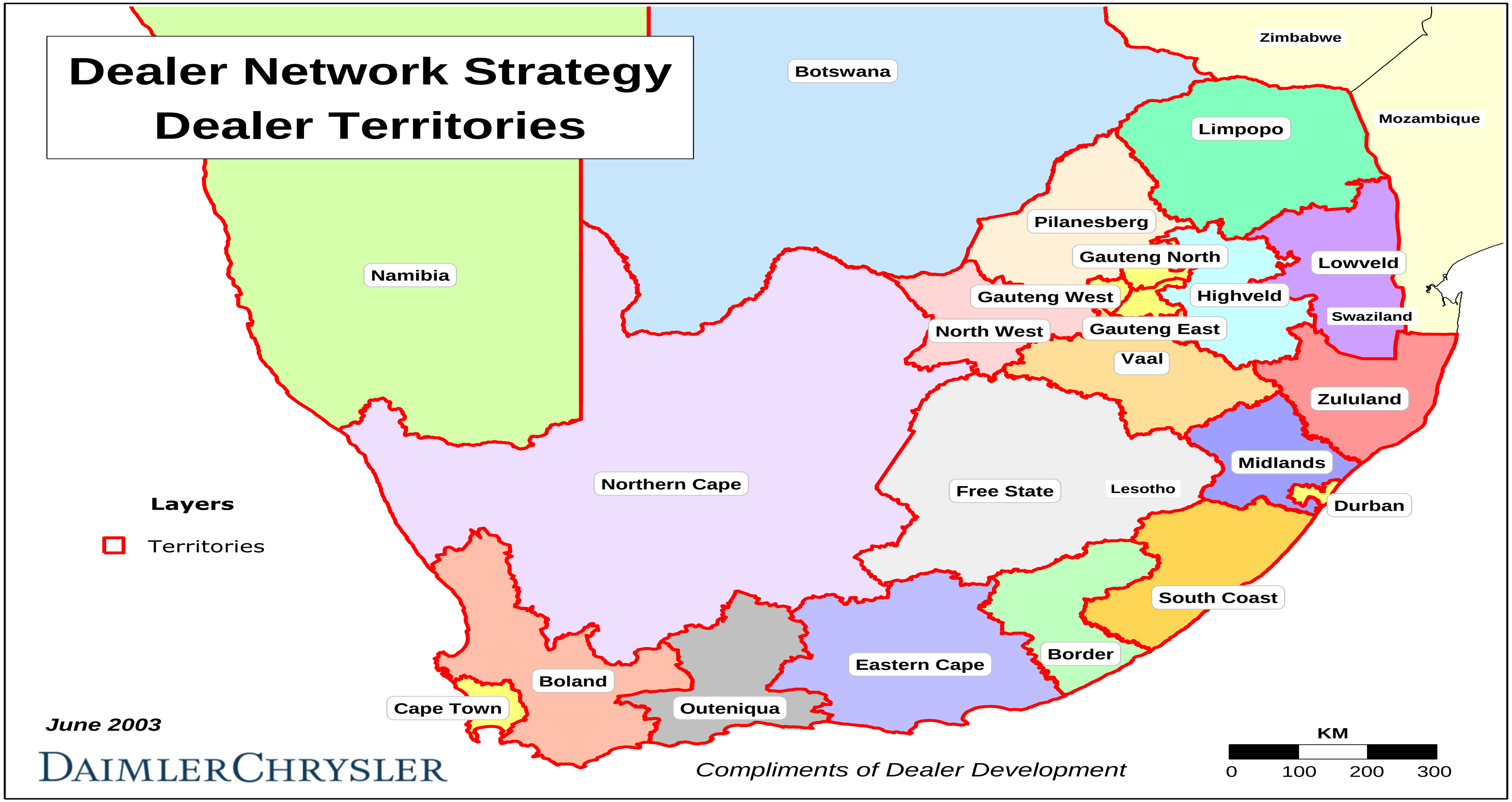
Figure 3.6: DNS Brand Metropolitan Regions



Source: (DaimlerChrylser, 2007)

In turn, about *eighteen market centres* were created for *country* and *rural areas* (DaimlerChrylser, 2007; Johnson, 2007). They are: Boland, Boarder, Eastern Cape, Free State, Highveld, Limpopo, Lowveld, Midlands, North West, Northern Cape, Outeniqua, Pilanesburg, South Coast, Vaal and Zululand. The map shown in Figure 3.7 below, shows the geographic locations of the market centres, and the five brand centres (highlighted in yellow – namely: Gauteng West, Gauteng North, Gauteng East, Durban, and Cape Town).

Figure 3.7: DNS Dealer Territories



Source: (DaimlerChrylser, 2007)

As described by the Competition Commission (2001), and Manoim (2001, 2002), in terms of passenger and commercial vehicles, the dealerships were allotted into: *brand centres*, as shown in Table 3.6, *market centres* in Table 3.7, and *independent entities* in Table 3.8, respectively.

Table 3.6: Brand Centres: Dealership Distribution and Ownership

Region	**Brand Centre**	**Passenger Cars (Ownership)**	**Commercial Vehicles (Ownership)**
Western Cape	Cape Town	Sandown	Sandown
KwaZulu-Natal	Durban	NMI-DSM	NMI-DSM
Gauteng West	Johannesburg	Sandown	Sandown
Gauteng East	Sandton	Imperial	Imperial
Gauteng North	Pretoria	McCarthy	Sandown

Source: (Jonathan, 2007)

Table 3.7: Market Centres: Dealership Distribution

Market Centre	**Passenger Cars (Ownership)**	**Commercial Vehicles (Ownership)**
18 Territories in South Africa	Typically, 1 per territory, may be owned by a Brand Centre owner	Typically, 1 per territory, may be owned by a Brand Centre owner

Source: (Jonathan, 2007)

Table 3.8: Independent Entities: Dealership Distribution

Independents	**Passenger Cars (Ownership)**	**Commercial Vehicles (Ownership)**
Either in Brand or Market Centre Territories	Independently-owned, to meet market requirements	Independently-owned, to meet market requirements

Source: (Jonathan, 2007)

DCSA's entire dealer network spanning across the country, and as far afield as Botswana and Namibia, is given in Appendix A. The exhaustive Mercedes-Benz, Chrysler and Mitsubishi passenger and commercial vehicle brands profile included: Mercedes-Benz, Mitsubishi, Chrysler, Maybach, Smart Car, Dodge and Jeep. The heavy-vehicles category included: Canter, FUSO, Western Star and Freightliner custom-built trucks. The logos of the respective brands are shown in a comprehensive Table 3.9 below.

Table 3.9: The 2002 MBSA Brands Profile

Mercedes Car Group		
MAYBACH	Mercedes-Benz	smart
Chrysler Group		
DODGE	CHRYSLER	Jeep
Commercial Vehicles Division		
SETRA	Mercedes-Benz	FREIGHTLINER
STERLING TRUCKS	WESTERN STAR TRUCKS	
DaimlerChrysler Services		
DaimlerChrysler Bank		
Strategic Partners		
FUSO	MITSUBISHI MOTORS	HYUNDAI

Source: (DaimlerChrysler, 2002b)

The three brands shown in Table 3.9 above, form part of the evaluation of the brand campus concept. As summarized in DaimlerChrysler (2005), the detailed information of the brands is presented in Table 3.10.

Table 3.10: Summary: Three MBSA Brands and Divisions

Brand Division	**Description**
Mercedes-Benz	The intention was to dominate the industry in terms of superior brand image and product offering to ensure shareholder, customer and brand value, thus shifting the Mercedes-Benz brands focus to a younger, more progressive and exciting profile. The eminent Mercedes-Benz passenger cars roll-call reads: A-, C-, E-, S- and M-Class models, and CL, CLK and SLK editions.
Chrysler	Chrysler took the initiative to re-invest in South Africa in 1996, launching the Chrysler Neon, Voyager, Wrangler, PT Cruiser and Jeep Grand Cherokee ranges, locally.
Mitsubishi	Mitsubishi focused on consolidating their most popular pick-up trucks and saloon brands on the local scene, including the ‘Africa-tested’ all terrain Colt and Pajero models. Occasionally, Mitsubishi excels and is committed to the field of motor sport, a racing legacy and passion that has evolved over the years.

Source: (DaimlerChrysler, 2005)

The vehicle categories which are instrumental in keeping the MBSA banner flying high are listed in Appendix B. Next, the focus is on the centralized vehicle distribution system adopted at a global level by then DaimlerChrysler for their markets.

3.2.2 The New Distribution Policy

According to Johnson (2008), in 2000 then DCSA implemented a new central pooling system called the *New Distribution Policy (NDP)* following amendments to the existing DCSA Franchise Agreement. This was consistent with ‘Just-In-Time (JIT) Inventory Management Strategy’ – which entails that holding vehicle stocks along the supply chain attracts inventoriable costs (Amasaka, 2007; Broyles, Beims, Franko and Bergman, 2005; Holweg *et al.*, 2007; Kojima and Kaplinsky, 2004; Mertins and Jochem, 2005; Schonberger, 2007).

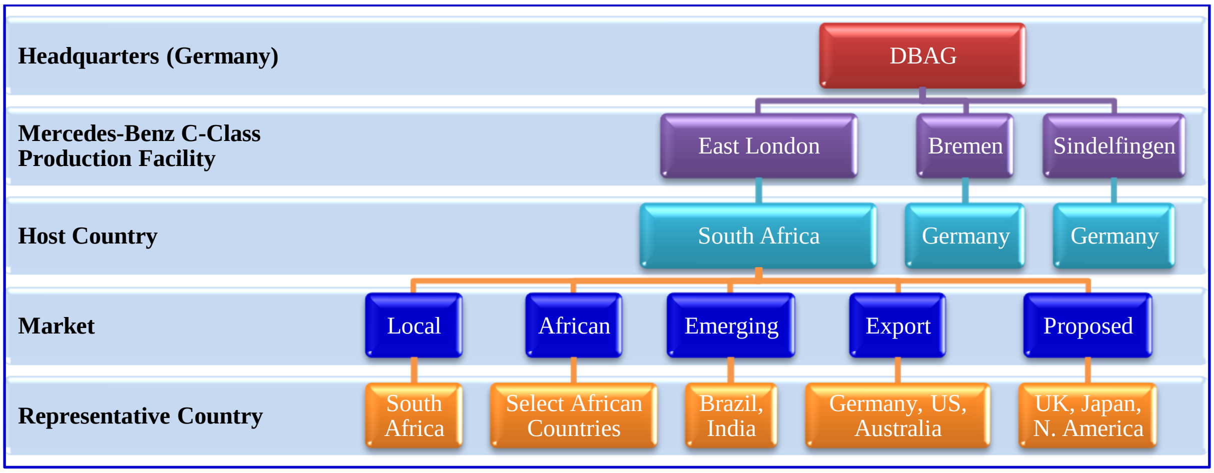
The new distribution policy was meant to streamline the vehicle sourcing and distribution logistics, precluding dealerships from holding onto vehicle stock levels on the showroom (Johnson, 2008). To illustrate how this policy (NDP) operated, the distribution of Mercedes-Benz’s mainstay C-Class models manufactured in South Africa and Germany will be used.

Lamb Jr. *et al.* (2004: 115), and Manoim (2001) explain that then DCSA 'manufactured the decorated C-Class editions, Mitsubishi Colt, and historically, Honda vehicles (from 1982 to the late 1990s)'.

Within the context of this research, the East London-based production facilities operated under then DCSA Manufacturing (Pty) Ltd. Lorentzen (2006) acknowledges that the South African production facilities were the third most-valuable C-Class plants worldwide, after Germany's Bremen and Sindelfingen.

Traditionally, direct export markets for these models are the US, Australia and Germany (Manoim, 2001). These were later expanded both in terms of volume and geographic destinations, to cover North America, the UK and Japan (Lorentzen, 2006). Figure 3.8 outlines the C-Class plants and the markets.

Figure 3.8: MBSA's Global Vehicle Distribution of C-Class Models



To clarify on the new distribution strategy, a summary of this central pooling system is described by Johnson (2008), and Manoin (2001), as follows:

- 'Under the NDP central pooling system which incorporates all C-Class vehicles manufactured at all Mercedes-Benz global production facilities, orders placed by customers or dealer outlets are electronically transmitted to MBSA. This places the required vehicle into the distribution and delivery process, before delivery takes place on a *first ordered – first received basis*. All things being equal, this system ensures that all dealers have equal access to MBSA vehicles and spare parts and that no discrimination against dealerships takes place'.

The NDP is supported by the literature on *inventory competition*, which states that 'after receiving the retailer's order, the manufacturer determines the production quantity and inventory allocation between the direct and retailer channels' (Geng and Mallik, 2007: 719).

3.2.3 MBSA Dealerships and Their Responsibilities

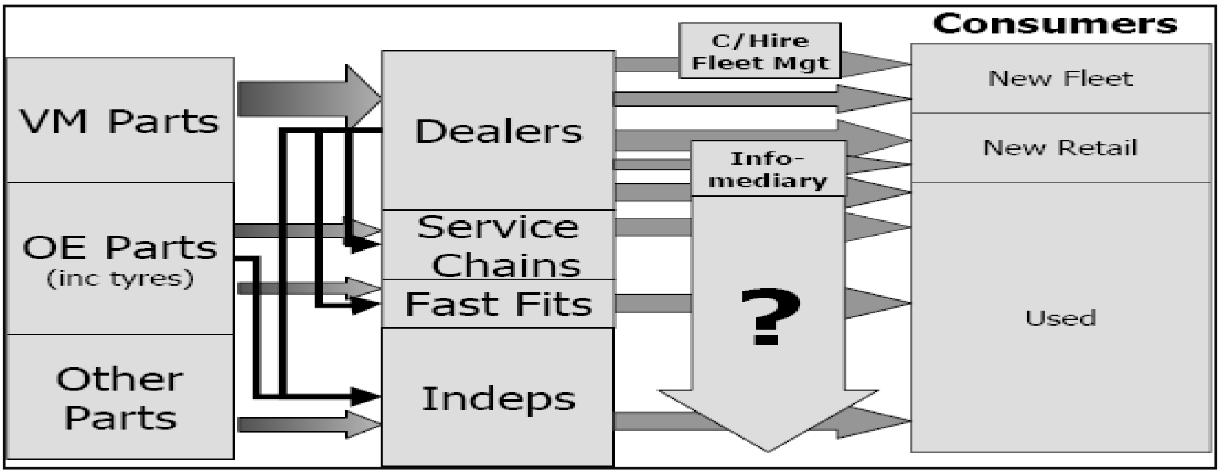
As purported by Manoim (2001), and Verboven (2008), exclusive dealers are barred from taking up agencies for competitors' brands, and operate under separate franchise contracts rather than one collective agreement. The Memorandum of Understanding (MOU) mutually signed by the parties, runs for a year, and is renewable six months prior to expiry (European Commission, 2000; Lamb Jr. *et al.*, 2004; Manoim, 2001).

Customarily, the provision of unsurpassed service delivery is uppermost on the MBSA dealers' list of core responsibilities (DaimlerChrysler, 2005; Furlonger, 2008; Manoim, 2001). These are in terms of:

- Vehicle retailing – customer options range from outright cash sales, to vehicle financing in conjunction with financing houses;
- Vehicle insurance through insurance institutions;
- Provision of superlative after-sales vehicle support and back-up vehicle parts; and
- Offering private vehicle leasing and private vehicle rental alternatives.

The determination by the Competition Commission (2001), DaimlerChrysler (2005), and Manoim (2001), concluded that an extensive network of exclusive, authorized and franchised dealers distribute, market and retail a multiplicity of MBSA's premium vehicle brands. Provision of unrivalled back-up vehicle parts is central to the functions of MBSA dealers, and the flow of parts is illustrated in Figure 3.9.

Figure 3.9: After-Sales Vehicle Parts Support Channel



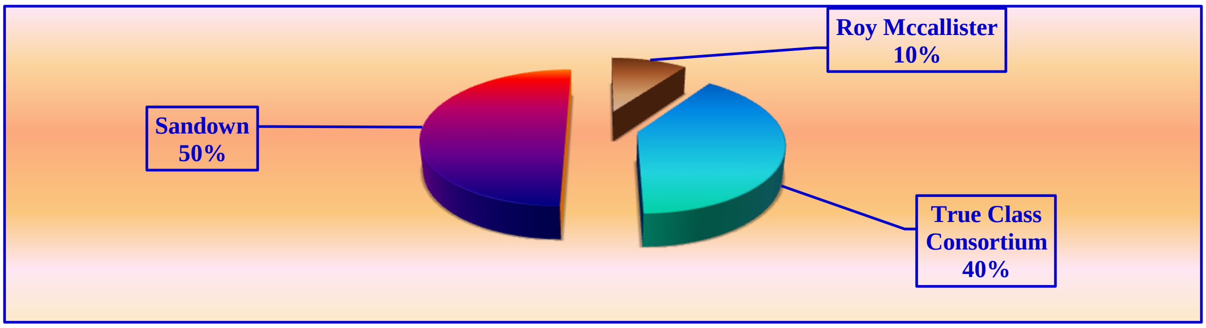
Source: (MFBI, 2001)

The model in MFBI (2001), illustrates that: (1) vehicle makers (VM) and original equipment (OE) parts constitute the suppliers stream. (2) Intermediaries comprise of dealers, service chains, fast fits and independent entities. (3) The customer portion incorporates sales markets.

3.2.4 The DCSA-Sandown Merger

In 2001, then DCSA heralded their grand entrance into the automotive retail industry by purchasing a 75% stake in Sandown Motor Holdings (Pty) Ltd (SMH) (Manoim, 2001). Further, Furlonger (2008) explained that strategically, economic empowerment group True Class Consortium (Pty) Ltd. profited immensely, as shown in Figure 3.10.

Figure 3.10: Sandown's Stake Holding Capacity



Source: (Furlonger, 2008)

Reportedly, DCSA did not own any dealerships but merged with several dealers (Manoim, 2002), as shown in Table 3.11 below. This had the tacit approval of the Competition Commission and Competition Tribunal (Competition Commission, 2001), consistent with Section 12 of the South African Competition Act (No. 89 of 1998) (Competition Tribunal, 2008).

Table 3.11: DCSA's 2001 Dealerships

Dealerships	Exclusive	Non-Exclusive (Multi-franchise)	Total
Barloworld	9	47	56
Imperial	15	84	99
McCarthy	13	74	87
SMH	9	0	9
Other (Independent)	44	0	44
Grand Total	90	205	295

Source: (Manoim, 2001)

In 2001, about 1 400 dealers operated in South Africa, of which 295 (21%) belonged to DCSA (Manoim, 2001), claiming 60% to 80% of DCSA's overall vehicle sales volumes

(Johnson, 2008). The comprehensive lists of DCSA dealer allocations are given in Appendices C (passenger vehicles category), and D (commercial vehicles category). These are in terms of ownership before and after the DaimlerChrysler merger.

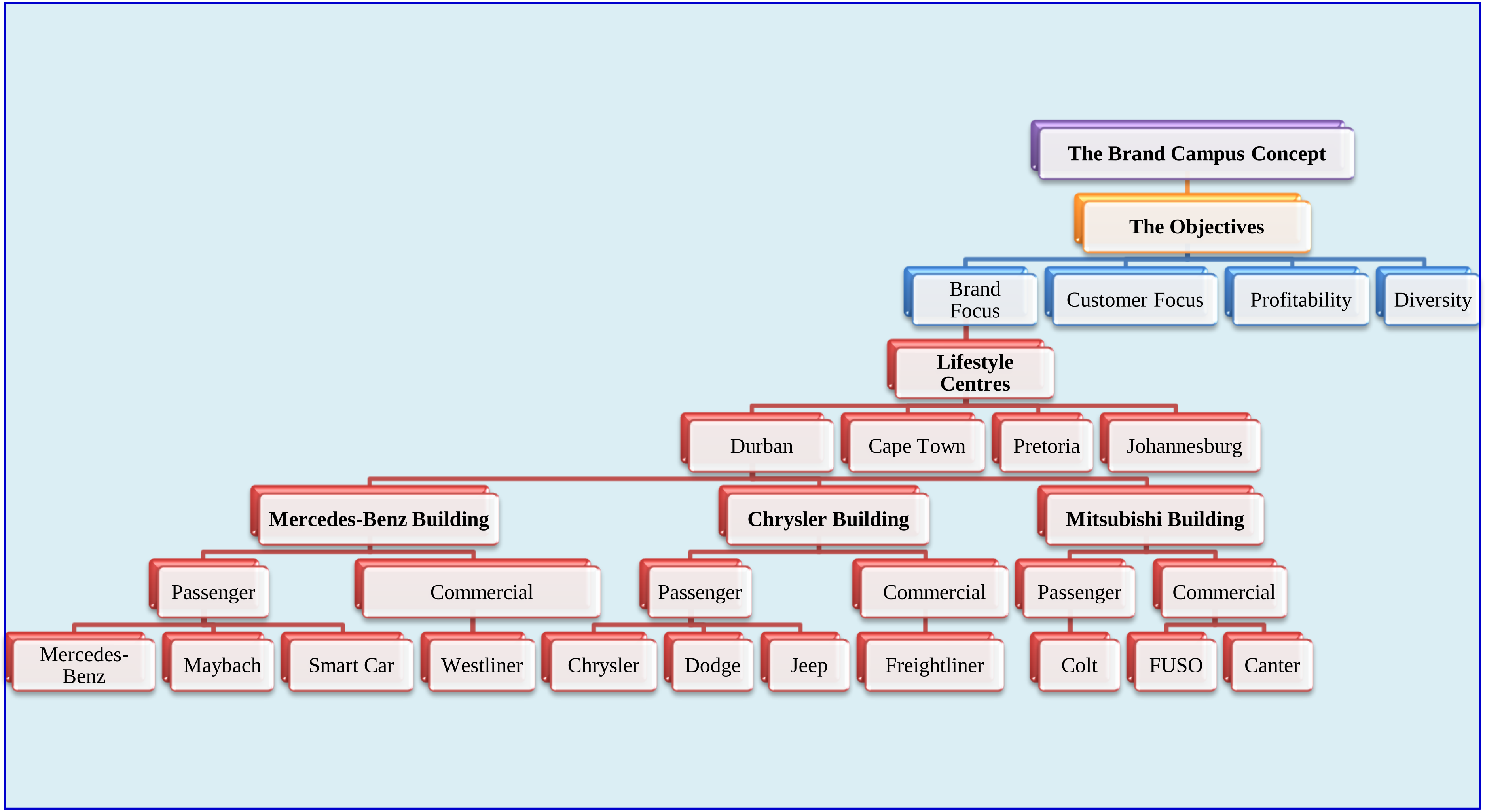
In sum, it becomes increasingly imperative to look at one concern always leveled against franchising – *the threat of franchise termination*. Two related events pertaining to this scenario involving DCSA are captured by Kotler and Keller (2009: 231), and Manoim (2001), as follows:

- 'Firstly, the dispute was between DCSA and Georgeson's Motors. Operating an outlet for Mercedes-Benz brands in Estcourt, KwaZulu-Natal, their franchise agreement was cancelled. Apparently, it posed a threat to white–established franchises in the region vying for DCSA markets'; and
- 'Secondly, concerns regarding DCSA's dealership rationalization strategy were sparked by events in the UK in 2001. Dealer franchise contracts were *'unceremoniously'* cancelled to facilitate for the rollout of the brand centres. The dealers had provisions to reapply for new contracts though'.

3.3 DaimlerChrysler South Africa's Brand Campus Concept Structure

The roadmap for the subject matter, the brand campus concept is outlined in Figure 3.11 below.

Figure 3.11: The Brand Campus Concept Explained



The rationale for this concept related to the 1998 DaimlerChrylser merger, which evolved out of DNS (Architect and Builder, 2006; Manoim, 2001). This exclusive phenomenon focused on the affluent customers, propelling DCSA to limit the distribution channels to a select few exclusive retailers.

3.3.1 The Objectives of the Brand Campus Concept

Four deliverables were identified in several articles (Architect and Builder, 2006; DaimlerChrylser, 2007; Johnson, 2007; Manoim, 2001), as the primary objectives of the brand campus concept, and are listed in Table 3.12.

Table 3.12: Summary: Key Priority Areas of the Brand Campus Concept

Key DNS Pillar	**Objective**	**Description**
Brand-focus	Customer satisfaction	Ensures the brands exceed customer needs and expectations
Customer-centric	Strong brand identity creation	Ensures that each customer receives products and services with the passion, professionalism and quality expected
Profitability-orientation	Financial and marketing objectives	Ensures that organizational strategies support a viable and sustainable dealership network
Diversity-orientation	BBBEE imperative	Extents dealer ownership to previously-marginalized sectors of the South African population via economic empowerment

Source: (Architect and Builder, 2006; DaimlerChrylser, 2007; Johnson, 2007; Manoim, 2001)

Ordinarily, from a business standpoint, the brand campus concept relates to the *'cost-benefit-analysis'* (Salvatore, 2004: 568), where the benefits of the brand campus concept have to justify the outlay (Gautam and Singh, 2008). As Rangan (1994) pointed out, the choice for the optimal channel rests with a systematic trade-off between *output* (e.g. income or revenue streams), and *input* (e.g. vehicle distribution costs, transaction costs or expenditure). The two aspects constitute the *distribution channel efficiency*, mathematically represented as in Equation (1):

$$Distribution\ Channel\ Efficiency, n = \frac{Output}{Input}\ x\ 100\% \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Equation (1) can be interpreted thus: the percentage efficiency is proportional to the output, and inversely proportional to the input. In other words, the efficiency increases as the income increases, or decreases as the transaction costs increase. The *vehicle distribution costs*, as claimed by Parment (2008: 256), are estimated to account for 'about 20% of the transaction costs, and the retail outlet income to total costs to be around 6%, on average'.

3.3.2 The Rationale for the Brand Campus Concept

Johnson (2007), and Manoim (2001) reiterate that DCSA's traditional distribution strategy entailed haphazardly-dispersed multi-franchised dealerships and multi-branded showrooms. Constituting corporate reforms, DNS through the brand campus concept, represented DBAG's global marketing master plan (Architect and Builder, 2006). On a large scale, this meant changing the *'selling vehicles'* mindset to one of providing *'one-stop vehicle purchasing solutions'* (Klein and Selz, 2000; Manoim, 2001).

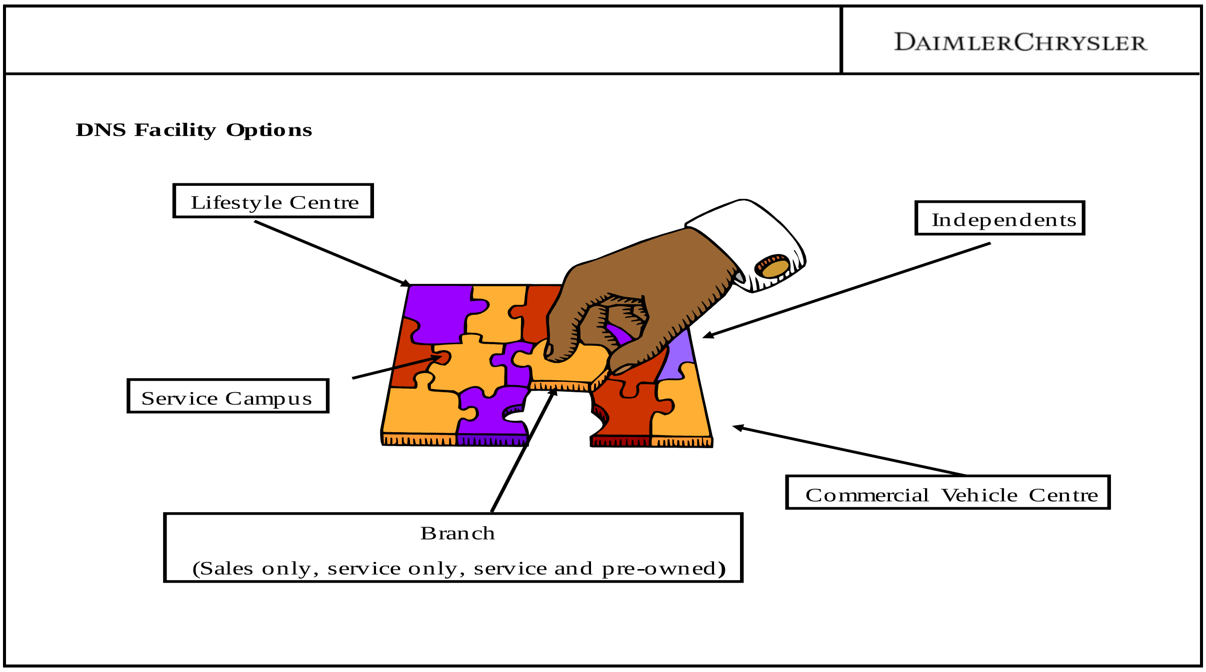
By any stretch of imagination, and bringing new meaning to vehicle distribution, the essence of the showrooms is illustrated in Architect and Builder (2006), as follows:

- 'The undisputed and understated elegance that appeals to the emotional sense due to the structural splendor compares to a journey where the road and road signage remain the same but only the landscape and brand architecture change'.

The intention was for DCSA to 'showcase their premium brands within separate and spectacular Mercedes-Benz, Chrysler and Mitsubishi buildings under one vehicle campus' (Architect and Builder, 2006; and Johnson, 2008). Essentially, the point of reference in the revolutionary design concept was 'the experience of the car as a physical object of desire at the centre of the design of the building' (Goldwasser, 2008).

The exceptional challenge from Goldwasser's (2008) standpoint was the integration into one facility of: vehicle brands galleries and service workshops, lifestyle centres, office space for sales and marketing, and exterior parking bays for customers and staff. The lifestyle centre concept is depicted in Figure 3.12 below.

Figure 3.12: The Lifestyle Centre Structure



Source: (DaimlerChrylser, 2007)

Graphically, the ‘lifestyle centres give prominence and a sense of presence to the new models on the display space’ (Goldwasser, 2008). These state-of-the-art vehicle brand showrooms keep customers and visitors alike, ‘intrigued and well-informed on the on-going DCSA brand information and brands’ legendary past and successful heritage’ (Mercedes-Benz, 2007).

From Goldwasser’s (2008) viewpoint, there is every reason to believe that the ‘superbly-located and spacious facilities present unbeatable visibility from afar, and adding significantly to the prominence of the brands’. In Mercedes-Benz (2007), it is pointed out that the brand campus concept provides customers with ‘an experience never to forget’. Judging from Goldwasser’s (2008) observation, the connection is in the desire to ‘meet the requirements for a timeless, clean and professional appeal – which is the language of the dealership’.

Overall, it is maintained in Architect and Builder (2006) that, the principle of clear visibility into the workshops, with clear glass walls, is retained allowing for customers to view the servicing of their vehicles, and encourages a sense of pride and accountability in service staff.

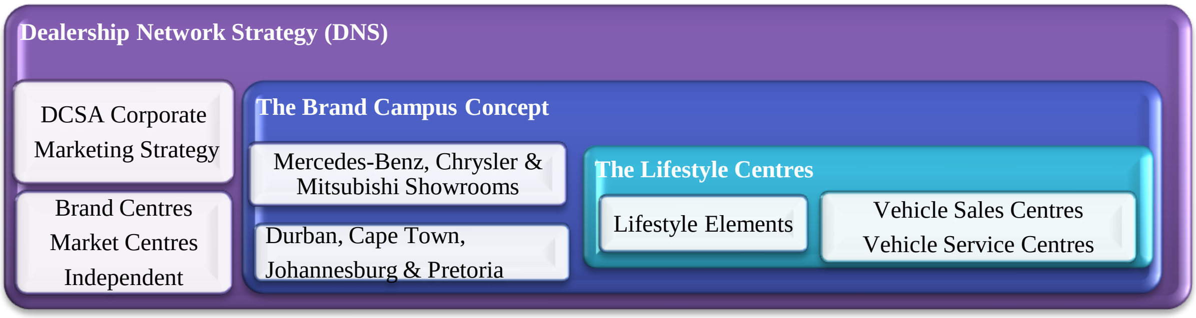
Additionally, in Cape Town for instance, as elaborated in Architect and Builder (2006), the three DaimlerChrysler vehicle brands showrooms are ‘separated by a 7m wide and 2.5m deep vast expanse of water canal, which constitutes the outdoor lifestyle zone and maintains a sense of cohesiveness’.

3.3.3 Mercedes-Benz, Chrysler and Mitsubishi Lifestyle Centres

Architect and Builder (2006) distinguishes that, essentially, the design of lifestyle centres combines operational efficiency: (1) as an outlet for vehicle sales; and (2) as a centre for *'engaging'* with customers on an aesthetic or emotional basis. In addition, a *vehicle boutique* offers 'exclusive brand-specific clothing merchandise and vehicle accessories' (Mercedes-Benz, 2007).

Making a 'vehicle fashion statement', the heads of arguments by Architect and Builder (2006), and Manoim, 2001, imply that 'vehicle sales are complemented with a variety of lifestyle elements and graphics'. The lifestyle centre concept is described in Figure 3.13.

Figure 3.13: The Lifestyle Centres Unveiled



The concept of customer lifestyles originated in Berlin, Germany (hub of automotive engineering) in 2000 (Barnes *et al.*, 2004). This heralded the opening of the first Mercedes-Benz Lifestyle Centre, and the subsequent centres, in Munich, Cologne, and Stuttgart (MBSA, 2008; Mercedes-Benz, 2007).

The first MBSA (then DCSA) lifestyle centre was established at Umhlanga Rocks, Gateway Complex Durban in 2005 (Architect and Builder, 2006). The intervening years witnessed the establishment of another in 2006 at Century City, Cape Town (Architect and Builder, 2006). In reality, the two 'pilot' projects presented a challenging business proposition. Initially, this was to ascertain the risks associated with the projects to avoid spreading the risk to the rest of the dealerships in the event of failure (Manoim, 2001).

However, the apparent 'over-whelming success' led to the establishment of two additional lifestyle centres in Johannesburg (December 2007), and Pretoria (October 2008) (Johnson, 2008). All in all, four MBSA lifestyle centres exist to date (Mercedes-Benz, 2008), as shown in the summary in Table 3.13.

Table 3.13: Summary: Mercedes-Benz South Africa's Lifestyle Centres

Launch Date	Lifestyle Centre	Brand Centre	Region	Dealership Owner	Location
Dec. 2002	Mercedes-Benz Umhlanga	Durban	KwaZulu-Natal	NMI-DSM	2 Cane Gate Road, La Lucia, Umhlanga Gateway, 4051
Apr. 2006	Mercedes-Benz Century City	Cape Town	Western Cape	Sandown	Century Boulevard, Mercantile Row Crescent, Century City, 7446
Dec. 2007	Mercedes-Benz Bedfordview	Johannesburg	Gauteng	Imperial Holdings	2 Viscount Road, Bedfordview, 1610
Nov. 2008	Mercedes-Benz Menlyn	Pretoria	Gauteng	McCarthy and Sandown	380 General Louis Botha Avenue, Menlyn, 0028

Source: (Mercedes-Benz, 2008)

As argued by Rangan (1994), this begs the intriguing questions: what does the implementation of the brand campus concept entail? Did the varying levels of metrics, such as revenues, market shares and market penetration, and transaction, start-up and opportunity costs change for the better? This forms part of the evaluation of the brand campus concept from the perspectives of dealer principals and MBSA marketing executives.

Locally, General Motors South Africa (GMSA) implemented a similar concept (Goldwasser, 2008), and one would argue, and justifiably so, that the concepts between MBSA and GMSA have many similarities. The parallels are inescapable as extracted from Goldwasser (2008) as follows:

- ‘General Motors’ (GM) head-office can be seen by motorists travelling between Johannesburg and Pretoria along the M1 motorway. From an architectural perspective, such high octane exposure gives the building an added role of a billboard – one that shouts out what the brand is about, and working for GM 24/7. Forming part of the brand campus, GM’s head office is positioned facing the M1 motorway, with a focal *‘branding wall’* of off-shutter concrete that separates the building into two adjacent masses. The GM brand campus comprises of an unusual and specific combination of offices, staff wellness facilities, workshops and technical training spaces, and marketing and promotional areas’.

Complying with GMSA’s real estate criteria (Goldwasser, 2008), MBSA’s lifestyle concept equally-complies with the global marketing strategy of DBAG (Architect and Builder, 2006). However, this is where the comparison ends. The concluding remarks for this chapter revolve around a fascinating rave review made by Rahme, who is cited in Goldwasser (2008). Befittingly, this captures the essence of MBSA’s brand campus concept, and the statement is given by Goldwasser (2008), as:

- ‘This has become a landmark structure, seamlessly integrating the brand presence. The brand lives, not only in the image of the building’s form through architectural elements and signage, but also in the daily corporate life of the building’s users’.

At length, despite all the fanfare and aplomb upon its launch, and not downplaying the intention, customers are not necessarily concerned by the infrastructure as the primary driver of why they purchase a vehicle. On the other hand, however, ‘the customer may be more likely to be attracted by the image of the premium brand than by the image of the local dealer’ (Parment, 2008).

3.4 Summary

This chapter briefly told the story of Mercedes-Benz South Africa. The discussion narrowed down to the new dealership network strategy (DNS) implemented in 2000. The intention of DNS was to restructure the dealer network countrywide into leaner and more efficient brand centres in metropolitan areas and market centres in country and rural areas. Essentially, this reduced the number and locations of sales centres, and increased the service centres in order to curb the service capacity problems.

The brand campus concept is a brand centre-based approach which focuses on the lifestyle centre concept meant to complement vehicle sales. The concept was implemented in four metro centres, namely: Umhlanga Rocks, Durban in 2002, followed by Century City, Cape Town (2006), then Bedfordview, Johannesburg (2007), and finally, Menlyn, Pretoria (2008).

This campus concept has the makings of an important innovation. Based on the fact that the motor industry’s bottom-line is a numbers’ games; did the margins and market positioning change (for the better) due to the implementation of this concept?

Starring exquisite architectural splendour and masonry designs, the lifestyle centres come across as ‘must-see’ or ‘arrival destinations’ for existing and potential customers and visitors alike. On offer, are impressive lifestyle elements such as state-of-the-art showrooms, bistros, and branded merchandise shops.

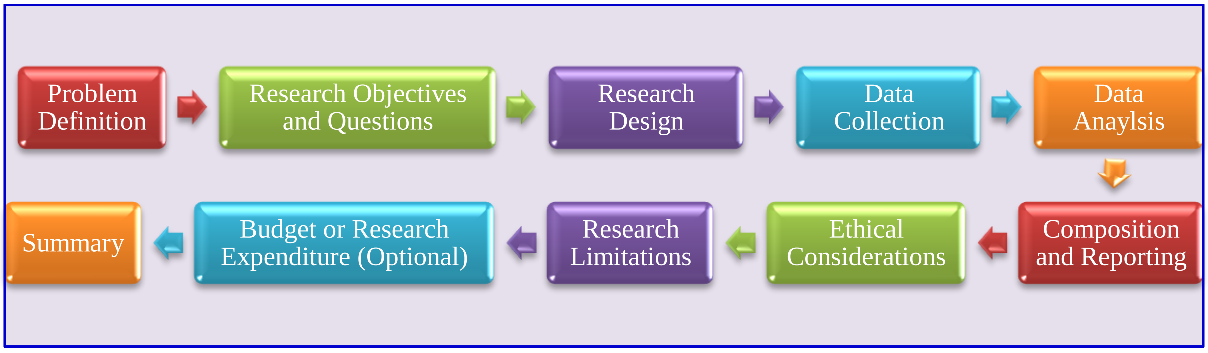
Yes, it makes both economic and business senses for MBSA to conceptualize a product offering. That is one way to attract and retain a loyal customer base, which will provide the requisite support by acquiring their brands. MBSA as the franchisor sets standards and stringent restrictions which must be adhered to by the dealers (the franchisees). Otherwise, the agreements can be terminated on the basis of non-conformance.

Albeit, the brand campus concept comes across as a great invention overall; what guaranty is there that the concept will be a great success? Yes, conceptualizing a concept whilst MBSA architects are marooned upstairs in a plush office at corporate head office does not guaranty that the plan will be successful until and unless there is market research of what the customers need and expect. Only time will tell in this regard.

Chapter 4: Research Methodology

This Chapter focuses on the research methodology, which is designed for the evaluation of the brand campus concept using *case study research methodology*. As such, the stages of case study research design are depicted in Figure 4.1.

Figure 4.1: Stages of Case Study Research Design



Source: (Yin, 1993: 110; 1994: 20-7)

The data analysis discussion is deferred until Chapter 5; albeit, it remains an integral part of the research design. Also, the research budget (inclusion is optional) discussion was omitted. Suffice it to say, the design of a case study (Yin, 1993: 45; 1994: 19), should provide a ‘logical sequence which synergizes the research study questions with empirical data collection, interpretations and conclusions’.

4.1 Problem Definition

The *problem definition* concerns Malhotra’s (1993: 64) formulation of ‘research questions, theoretical framework and analytical model’. This is meant to assist with ‘operationalization and measurement of variables specified by the research questions’ (Malhotra, 1993: 65).

On the whole, the brand campus concept was implemented as a strategic intervention for profit maximization, brand-focus, customer-focus, and diversity. This research aims to evaluate the efficacy of the brand campus concept from the perspectives of customers, dealer principals and MBSA marketing executives.

4.2 The Framework Guiding this Research

Two critical issues prelude this study, namely: *research objectives* and *research questions*.

4.2.1 Research Objectives

The *primary concern* of this research is the evaluation of the brand campus concept implemented by then DCSA in 2002, from the perspectives of customers, dealer principals and MBSA marketing executives. To be better-placed to evaluate the efficacy of the brand campus concept, it was important to first look at its objectives (profitability, brand-focus, customer-focus, and diversity).

This research is consistent with Yin's (1993: 43-4, 109) recommendation that, before conducting a case study research, certain guidelines have to be established, namely: (1) defining the case (either as single- or multiple-cases); (2) identifying what needs to be proved, concluded or observed, structuring the interview (participants and time-frame), and research instrument(s); and (3) determining how to deal with the evidence.

4.2.2 Research Questions

Malhotra's (1993: 64) impression is that, *research questions* (RQs) are 'refined statements of the specific components of the problem'. Through *reductionism*, 'each component can be sub-divided into research questions to get the requisite specific information relative to the problem components' (Malhotra, 1993: 64).

As advised by Yin (1994: 69), the questions 'guide the investigator to the essential information being collected and why'. The *research objectives* revolved around the following *research questions*:

- From the *customers' standpoint*, how effective the brand campus concept is from the point of view of overall service delivery?
- From the *dealer principals'* (or *franchisees' viewpoint*) (they provide the interface with the customers), how effective the brand campus concept is from the point of view of service delivery in order to meet or exceed the customer needs and expectations?
- From the *perspective of the manufacturer* (or *franchisor*) MBSA, did the brand campus concept deliver on the four set objectives, namely: profitability, brand-focus, customer-focus, and diversity?

Having defined the research problem, objectives and questions, the attention shifts to the case study research design.

4.3 Research Design

Yin (1994: 20) defines the research design as ‘a plan that guides the investigator in the process of collecting, analyzing and interpreting observations’. Besides being ‘a framework for conducting the marketing research project’ (Malhotra, 1993: 91), it is a ‘logical model of proof that allows the researcher to draw inferences about causal relations among the variables being studied’ (Yin, 1994: 20). More importantly, this signifies the ‘domain of generalizability’, which involves deliberating on ‘whether the obtained interpretations can be generalized to a larger population, or to different situations’ (Yin, 1994: 20).

With regard to research design, the following are important questions to ask, as recommended by Yin (1994: 20), namely: what questions to study, what data are relevant, what data to collect, and how to analyze the results? As such, four basic marketing research designs are summarized in a comparative analysis in Table 4.1 below.

Table 4.1: Comparative Schedule: Basic Research Designs

Description	**Exploratory Research**	**Descriptive Research**	**Causal Research**	**Conclusive Research**
Objective	▪ Discovery and provision of ideas, understanding and insights	▪ Description of the market characteristics or functions	▪ Determination of the cause and effect relationships	▪ To test specific hypotheses and examine relationships
Characteristics	▪ Information needed is defined only loosely ▪ Research process is flexible, versatile and unstructured ▪ Often, it is the front end of total research design ▪ Sample is small and non-representative ▪ Primary data analysis is qualitative	▪ Marked by prior formulation of specific hypotheses ▪ Pre-planned and structured design	▪ Manipulation of one or more independent variables ▪ Control of other mediating variables	▪ Information needed is clearly defined ▪ Research process is formal and structured ▪ Sample is large and representative ▪ Data analysis is quantitative
Methods	▪ Expert surveys ▪ Pilot surveys ▪ *Case studies* ▪ Secondary data ▪ Qualitative research	▪ Secondary data ▪ Surveys ▪ Panels ▪ Observational and other data	▪ Experiments	▪ Conclusive designs may either be descriptive or causal, hence, assumes the respective methods
Findings (Results)	▪ Tentative	▪ Descriptive	▪ Causal	▪ Conclusive
Outcome	▪ Generally followed by further exploratory or conclusive research	▪ Description of the events as accurately as possible	▪ Cause and effect analysis	▪ Findings used as input into decision making

Source: (Babbie and Mouton, 2006: 72-9; Malhotra, 1993: 92-3)

Overall, the preferred design for this research case study is the exploratory approach, based on the objectives, characteristics, methods, findings and outcome as stated in the table above.

4.3.1 Case Study Research Strategy

Gray (2004: 123), and Yin (1993: 59) define a case study as ‘an empirical inquiry that investigates a contemporary phenomenon within its real-life context, addresses a situation in which the boundaries between phenomenon and context are not clearly evident, and uses multiple sources of evidence’. This bodes well with the challenges of this research, which included ‘determining when the *activity* (the brand campus concept) *started* (believed to be 2002), or *ended* (unknown)’ (Yin, 1993: 3).

Fundamentally, Babbie and Mouton (2006: 59) allude to the fact that case studies provide a ‘comprehensive description and analysis of a situation which relates to the marketing research problem’. Further, the strategy has the distinct advantage of providing an ‘in-depth investigation on a situation which clarifies the nature of the problem, identifies relevant variables, and shows relationships between variables’ (Babbie and Mouton, 2006: 59).

There are three inherent features of case study research from Riege’s (2003) standpoint. They are: (1) the primary objective of case study research is development and construction of theory. (2) The process and content of case studies is usually semi-structured and follows standard procedures. (3) Case studies require a medium to high level of prior theory.

In support, Gray (2004: 124) reiterates that ‘case studies benefit from the prior development of a theoretical position to help direct data collection and analysis processes’. Essentially, the case study strategy can assume both single- and multiple-case studies dimensions based on any ‘mix of quantitative and qualitative evidence’ (Yin, 1994: 14). This research adopted the *single-case approach*, subject to meeting the following conditions (Yin, 1994: 44). (1) The case itself represented a critical test of existing theory; (2) it was a rare or unique event; and (3) it served a revelatory purpose.

Crucial for social science inquiry (Yin, 1993: xi), case study research is ‘authenticated if certain criteria are met’. (1) The research topic must be defined broadly and not narrowly; (2) The contextual conditions are extensively covered and not just the phenomenon of study; and (3) As Meredith (1998) reckons, case study strategy relies on multiple sources of evidence.

4.3.1.1 Shortcomings of Case Study Strategy

From Yin's (1993: xi) observation, the downside to case study is that, 'no journal of case studies exists, and no journal focuses exclusively on case study research'. As qualified by Riege (2003), 'very few scientific techniques have been developed to address the scientific worth and rigor of qualitative research, mainly, the case study strategy'. Meredith's (1998) viewpoint is that 'case study research is rarely published in operations management journals'.

As Yin (1994: 9) points out, case studies: (1) lack rigor; (2) provide little basis for scientific generalization; (3) take too long to conduct; and (4) good case studies are difficult to conduct. Meredith (1998) identifies further snags as: (1) the requirements of direct observation in a contemporary situation; (2) the need for multiple methods, tools and entities for triangulation; (3) the lack of controls; and (4) the complications of context and temporary dynamics.

Zeithaml, Bitner and Gremler (2006: 59) suggest that 'results of case studies should be considered suggestive rather than conclusive'. Besides, in case studies, 'it is not possible to perform experimental manipulations because the assessment is done on an 'after-the-fact' basis where interpretations are judgmental and prone to error' (Zeithaml *et al.*, 2006: 59). Notwithstanding all the disadvantages, the case study research methodology was still chosen because of the justification presented in the following section.

4.3.1.2 Justification of Case Study Strategy

From Gray's (2004: 123) viewpoint, case studies can 'prove invaluable to understanding, extending experience and increasing conviction about a subject'. Yin (1994) distinguishes the five research strategies for conducting *social science research* as summarized in Table 4.2.

Table 4.2: Relevant Situations for Different Research Strategies

Strategy	**Form of Research Question**	**Requires Control over Behavioral Events?**	**Focuses on Contemporary Events?**
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many, how much	No	Yes
Archival Analysis	Who, what, where, how many, how much	No	Yes/No
History	How, why	No	No
Case Study	How, why	No	Yes

Source: (Yin, 1994: 6)

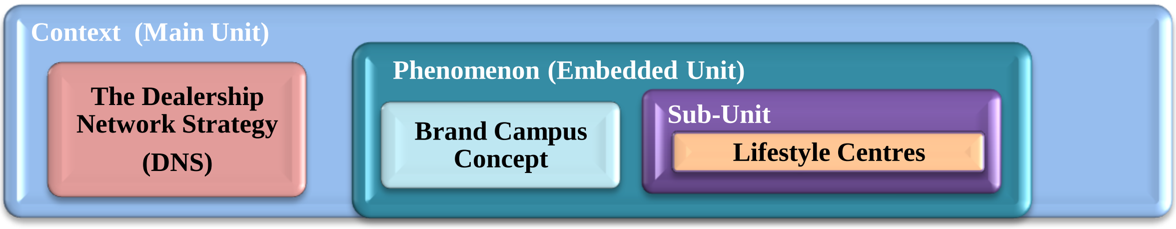
The case study strategy was the preferred method for this research on the premise that, as summed up by Yin (1994: 9), 'relevant behaviors cannot be manipulated when examining contemporary events'. This capitalizes on the case study's 'ability to deal with a variety of evidence' (Yin, 1994: 9). For this study, these are: *documents* (primary and secondary), *interviews* (semi-structured) and *direct observations*, which 'converge on the same set of issues' (Yin, 1994: 9).

Yin (1994: 23) is convinced that the rationale for case study research 'rests with the richness in its ability as an empirical inquiry'. This 'investigates a contemporary phenomenon (the brand campus concept) occurring in real-life context' (Yin, 1994: 23), answering the research questions: *why* and *how* pertaining to the implementation of the brand campus concept. Overall, the strength of the well-established case study research lies in the 'richness of its explanations' (Meredith, 1998).

4.3.1.3 Units of Analysis

The adopted single case study design for this research is the *embedded units of analysis*, where 'designing and conducting case studies is made easier if the *units of analysis* are explicit' (Yin, 1994: 44). These can be expressed in 'sub-units of analysis, creating more complex (embedded) units' (Yin, 1994: 44) as illustrated in Figure 4.2.

Figure 4.2: Units of Analysis



From Figure 4.2, the dealership network strategy is the context of the research (main unit), in which the phenomenon under review, the brand campus concept is the embedded unit, of which central, are the lifestyle centres (sub-unit). This aspect was discussed earlier in Section 3.3.3.

From Yin's (1994: 44) perspective, 'how units of analysis are defined prior to commencing the research, in turn, determine the design of the case study itself'. This leads to the all-important question (Babbie and Mouton, 2006: 84; Yin, 1994: 44): *what is my case*? Answering this question first 'limits the boundaries of the study from becoming complicated'

(DaimlerChrysler, 2006), where the 'design to specific theoretical propositions provide the means for generalizing the findings of the study' (Kurata *et al.*, 2007).

4.3.2 Evaluative Research: Exploratory Case Study Approach

This section provides the justification for choosing the exploratory approach. The adaptability of case studies to evaluation research is founded on five distinct applications, as proposed by Yin (1994). They are described in a summary in Table 4.3.

Table 4.3: Applications of Case Studies in Evaluative Research

Case Study	Application
Explanatory	Explains the causal (cause and effect) links in real-life interventions that are too complex for survey or experimental strategies
Descriptive	Describes an intervention and the real-life context in which it occurred
Exploratory	Explores those situations in which the intervention being evaluated has no clear, single set of outcomes
Illustrative	Illustrates certain topics within an evaluation, again, in a descriptive mode
Meta-Evaluation	A study of an evaluation study

Source: (Yin, 1994: 15)

Based on Zeithaml's *et al.* (2006: 143) suggestion, this research assumes an exploratory purpose in order to 'explore the situation (the brand campus concept)', from the perspectives of customers, dealer principals and MBSA marketing management. In addition, Malhotra (1993: 91) points out that this approach 'provides insight into and understanding of the problem confronting the researcher'. Further, Malhotra (1993: 93) identifies two outstanding 'characteristics of exploratory research', as:

- This approach rarely involves structured questions, large samples, or probability sampling plans, but researchers are alert to new ideas and insights as they proceed; and
- Once a new idea or insight is discovered, the exploration may follow that course until when its possibilities are exhausted or another direction is found. This implies that the creativity and ingenuity of the researcher play a major role in exploratory research.

As reflected by Malhotra (1993: 92), 'when exploratory qualitative research is the only strategy necessary, it is important to be explicit regarding how the findings will be used'. Yin (1993: 5) identifies the challenges to exploratory case study applications, as: (1) data collection is undertaken prior to settling on the final definition of study questions and hypotheses; otherwise, the final study may not necessarily be a case study but may assume some other form. (2) The research may follow the intuitive path.

4.3.3 Research Paradigm

Whilst case studies tend to incline towards being *'deductive in nature'* (Gray, 2004: 126), this research assumes an inductive approach in order to capitalize on 'the context of its natural setting' (Babbie and Mouton, 2006: 273).

As described by Babbie and Mouton (2006), Gray (2004), Malhotra (1993), Saunders, Lewis and Thornhill (2003), and Yin (1994), this is a situation in which data collection precedes the development of theoretical or conceptual frameworks.

That said, 'qualitative studies require the researcher's cognitive familiarity with all aspects of data gathering' (Choi and Hong, 2002). The accuracy of this approach lies in the ability of the inductive approach to 'accurately describe first-order events as they occur' (Babbie and Mouton, 2006: 273).

Babbie and Mouton (2006: 270) indicate that qualitative methods are adopted for three purposes. (1) To gain access to *research subjects* (e.g., theoretical selection of cases). (2) For *data collection* (e.g., participation observation, semi-structured interviewing, the use of personal documents to construct life stories). (3) For *data analysis* (e.g., grounded theory approach, analytical induction, narrative analysis, discourse analysis).

Riege (2003: 77) distinguishes the research methodology paradigms, as: positivism, realism, critical theory and constructivism. The constructivism paradigm was adopted for this research following recommendations by Riege (2003: 77), where the 'essence of constructivism' provided this research with some latitude for 'intangible constructions and empirically-based interpretations'.

4.4 Collecting the Research Evidence

Data collection for this inquiry has a *qualitative orientation*, and as established by Yin (1993: 57), the empirical qualitative data can be represented as follows: (1) *categorically* (e.g. 'word tables' filled with words rather than numbers). (2) By *perceptual* and *attitudinal dimensions* (e.g. colour perceptions), which are not readily convertible to numerical values. (3) By *real-life events*. This inquiry is conceptualized around the perceptions of customers, dealer principals, and MBSA marketing management regarding the brand campus concept.

Yin (1994: 56) advances the argument that 'doing case studies involve continuous interaction between theoretical issues under review and data being collected'. The *inquirer* must possess requisite 'competences and capabilities' as stated by Yin (1994: 56), namely: (1) asking 'good' questions, and interpreting the answers; (2) great listening skills and refraining from self ideologies and preconceptions; (3) accommodating newly encountered situations as opportunities and not as threats; (4) extricating information of relevant events being studied into manageable proportions; and (5) should be unbiased by preconceived notions, including those derived from theory, and must adapt to contradictory evidence.

4.4.1 Data Collection: Qualitative Technique

Data gathering for this research started in July 2007 (in preparation for submission of the literature review a year later), until November 2008 (upon conclusion of data collection). Two aspects constitute this section: the *research instrument* or *tool* used to collect the data, and the *sampling dynamics*. The *qualitative data* required for this study was *categorical* (i.e. the perspectives of customers, dealer principals, and MBSA marketing management).

4.4.1.1 Research Instrument

The research instrument for the interviews was the questionnaire, used in conjunction with a Dictaphone to probe for the requisite information for the purposes of this research. The reader's attention is drawn to the three questionnaires in Appendices: E for customers; F (for dealer principals); and G (for MBSA marketing executives).

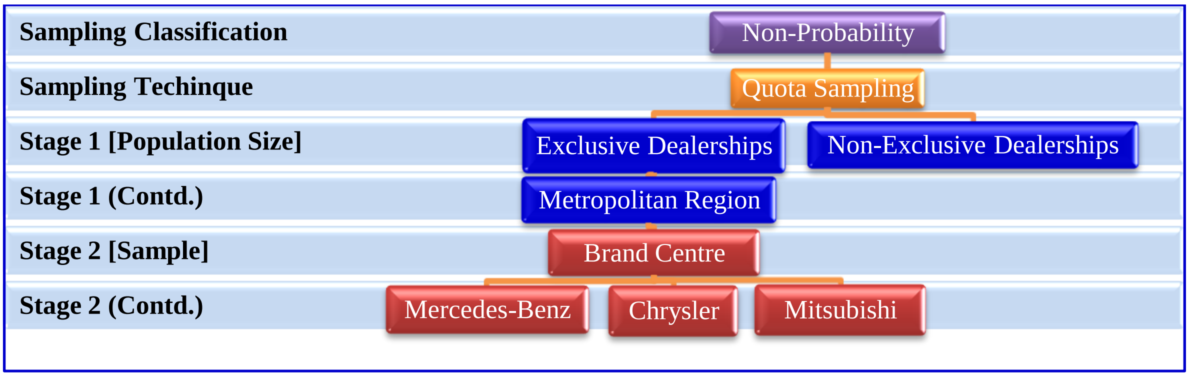
The recordings were transcribed to represent the interview contents in Microsoft Word format. Both the recordings and transcripts form part of the database which ensures that the construct validity quality aspect of data gathering is maintained.

4.4.1.2 Sampling

As indicated by Babbie and Mouton (2006), and Malhotra (1993), two broad classifications of sampling are *probability* and *non-probability*. The recommended theoretical sampling approach (Choi and Hong, 2002), assumed for this research was *non-probability sampling*. As established by Malhotra (1993: 357), on a grand scale, this 'relies on personal judgment of the researcher rather than on chance to select sample elements'.

At the centre of this approach, this researcher had 'some latitude to arbitrarily or consciously decide on the elements included in the sample' (Malhotra, 1993: 357-8). In turn, the *technique* used was *quota sampling*, and as insinuated by Malhotra (1993: 359), 'may be viewed as *two-stage* restricted judgmental sampling'. The system is depicted in Figure 4.3.

Figure 4.3: Quota Sampling for the Brand Campus Concept



Malhotra (1993: 359-60) describes the *first stage* as focusing on 'developing control categories or quotas of population elements', based on 'the researcher's judgment only'. The allocation of quotas is based on equitable distribution between 'the proportions of sample and population elements with similar control characteristics' (Malhotra, 1993: 360).

Concerning the *second stage*, Malhotra (1993: 360) is of the opinion that, 'the selection criterion for sample elements extends to convenience', in addition to the judgmental aspect in stage one. Therefore, there is room to manoeuvre when it comes to 'choosing elements to include in the sample as long as they match the control characteristics' (Malhotra, 1993: 360).

Of academic interest, the countrywide 295-strong MBSA (then DCSA) dealer network was assigned as the *population size*, encompassing both exclusive (90) and non-exclusive (205) dealers (Manoim, 2001). In turn, this was whittled down from the 90 exclusive dealers to the five brand centres and metro areas. Streamlining further, four lifestyle centres emerged - Umhlanga, Century City, Bedfordview and Menlyn, in four metro regions. Later, only two (Cape Town and Durban) were chosen as the research centres, constituting the *sample.*

However, this was preceded by the visit to East London-based Mercedes-Benz Manufacturing (Pty) Ltd., in July 2008. A meeting was convened with MBSA Human Resources Director in his capacity as MBSA board member responsible for operations. This presented a platform to seek permission to conduct the research, which was granted. From the same meeting, recommendations were made to contact the relevant authorities at the respective research sites. This was followed by subsequent visits to Pretoria (MBSA head office) in October 2008, and Durban (Mercedes-Benz Umhlanga) in November 2008.

4.4.1.3 Using the Polling Technique

Salvatore (2004: 187) strongly believes that '*personal insights* are largely subjective'. That being the case, Salvatore (2004: 187-8) suggested that this is leveraged by 'averaging the opinions of experts who are conversant with the firm and its products'. Further, Salvatore (2004: 188) warns that 'to avoid the *bandwagon effect* (where the opinions of some experts might be overshadowed by some dominant personality in their midst), the *Delphi Method* can be used'.

Explaining the Delphi method, Salvatore (2004: 188) recommends 'polling experts separately before providing feedback without identifying the experts responsible for a particular opinion'. In this regard, data for this evaluation was obtained from three categories of respondents within and outside MBSA's structures, namely: customers, dealer principals and MBSA marketing managers.

- **Customer Intentions Polling**

Consistent with the original design of this research, the population size incorporated customers who had conducted business with Mercedes-Benz Umhlanga over the past five years. A sample of about five customers was to be selected through quota sampling, and polled in terms of a comparison of the current and past distribution strategies used by MBSA. This proved not to be the case; five customers were selected randomly from the showroom on the day of the interviews (explained later in Section 4.4.3.1).

- **Dealer Principals Polling**

Referring to Salvatore (2004: 188), being 'closer to the market, dealers provide the interface with customers'. The opinions of dealer principals regarding sales are invaluable to MBSA management, since they 'forecast sales in *each region* (metro areas), as well as *each product line* (Mercedes-Benz, Chrysler and Mitsubishi brands)' (Salvatore, 2004: 188).

Through quota sampling, two dealerships (Cape Town and Durban) constituted the *sample element* from the entire dealer network *(population size)*. Requests seeking permission to conduct the research were sent via email in August 2008 to the respective two dealerships. Only one response was positive (from Durban), in November 2008, whilst the Cape Town application was unsuccessful. Under the best of circumstances, and beyond the researcher's control, only one centre (Durban) was available for the research. Three MBSA dealer principals from the Mercedes-Benz, Chrysler and Mitsubishi divisions participated in this research.

- **MBSA Marketing Executive Polling**

Polling top management was consistent with Salvatore's (2004) recommendation, and as such, polling of MBSA marketing executives was to determine their views regarding the efficacy of the brand campus concept from a marketing perspective. The number of MBSA executives interviewed was narrowed from the broader MBSA management pool (population size), to marketing executives responsible for crafting and execution of the strategy (sample). Nonetheless, two marketing executives from MBSA head office were interviewed.

4.4.2 Quality Control Measures in Collecting Case Study Evidence

Yin (1994: 32-3) distinguishes 'four logical tests central to the establishment of the quality of any empirical social research (such as case studies)', as construct validity, internal validity, external validity and reliability. For the purposes of this research, two tests (construct validity and reliability) were chosen, based on the techniques and phase in which the techniques occur, as summarized in Table 4.4.

Table 4.4: Case Study Tactics for the Design Tests

Case Study Tests	Case Study Techniques	Phase of Research in which Techniques Occur
Construct Validity	▪ Use of multiple sources of evidence ▪ Establishment of chain of evidence ▪ Key informants review draft case study report	▪ Data collection ▪ Data collection ▪ Data collection and analysis
Reliability	▪ Develop case study data base ▪ Use case study protocol	▪ Research design ▪ Data collection

Source: (Riege, 2003; Yin, 1994: 33)

Riege (2003) points out 'the major concern with case study research as the questionability of *validity* and *reliability* in terms of the qualitative data collection'. Yin's (1993: 59) standpoint is that, regarding 'the *authenticity* and *rigor'*, the high watermark on the evidence gathering lies in 'creating designs with construct validity and reliability'.

4.4.2.1 Construct Validity Test

Yin (1993: 59) describes *construct validity* as the 'establishment of correct operational measures for the concepts being studied'. As suggested by Yin (1994: 78), the construct validity test is increased due to 'three over-riding principles important to data collection efforts in doing case studies', namely:

- Using *multiple sources of evidence* - evidence from two or more sources but converging on the same set of facts or findings (data triangulation);
- Creation of a *case study database* - a formal assembly of evidence distinct from the final case study report; and
- Establishment of a *chain of evidence* - explicit links between the questions asked, the data collected, and the conclusions drawn.

4.4.2.2 Reliability Test

The proposal by Yin (1993: 40) is that, *reliability* is improved by 'documenting the procedures followed by using two techniques', namely:

- Establishment of a formal *case study protocol* (credibility, confirmability, transferability and dependability), which comprises of many operational steps so that the same procedures are replicable in a case study conducted by multiple investigators; and
- Creation of a *case study database* is a way of differentiating the evidence from the case study manuscript in the form of a reference list. This contains all the sources of evidence or information used, and was generated as the inquiry progressed.

Following Yin's (1994: 74) advice, this case study 'includes an annotated bibliography (reference list attached at the end of this document) where each of the available documents (reference materials used) is itemized for future reference'. Furthermore, 'the annotations would help a reader (or the investigator at a later date) to identify which documents might be relevant for further inquiry' (Yin, 1994: 74).

As recommended by Yin (1993: 59), *reliability* demonstrates that 'operations of the study, such as data collection procedures can be repeated with similar results'. Moreover, Riege (2003) emphasizes that for the research to be credible, dependable and confirmable, 'views of participants should be reflected, and the evidence should converge so that similar conclusions can be drawn'.

As such, the aspect of construct validity for this research is covered in the next section, whilst the reference list (bibliography) maintained at the end of this document authenticates reliability.

4.4.3 Sources of Evidence

According to Babbie and Mouton (2006: 78), *data collection* is classified into two categories, namely: (1) *primary data*, which is collected via formal and informal interviews with experts (industry, company, market), and customers; and (2) *secondary data*, such as annual reports and archives, as well as available minutes of staff meetings.

Six sources provide evidence for case studies as suggested by Eisenhardt (1989), and Yin (1994: 80, 93). Requiring different skills and procedures, these are: organizational documents, archival records, interviews, direct observations, participant-observation, and artefacts.

Yin (1994: 79-80) explains that: (1) no single source has a complete advantage over others; (2) the various sources are highly complementary; and (3) a good case study uses as many sources as possible. With that in mind, the three sources compatible with this study in terms of their comparative strengths and weaknesses, are summarized in Table 4.5 below.

Table 4.5: Sources of Evidence: Strengths and Weaknesses

Sources of Evidence	Strengths	Weaknesses	Examples
Interviews	▪ Targeted: focus directly on case study topic ▪ Insightful: provide perceived causal inferences	▪ Bias due to poorly constructed questions ▪ Response bias ▪ Inaccuracies due to poor recall ▪ Reflexivity: interviewee gives what interviewer wants to hear	▪ Open-ended nature ▪ Focused interviews ▪ Structured questions
Documentation	▪ Stable: can be reviewed repeatedly ▪ Unobtrusive: not created as a result of the case study ▪ Exact: contains exact names, references and details of an event ▪ Broad coverage: long span of time, many events and many settings	▪ Retrievability can be low ▪ Biased selectivity, if collection is incomplete ▪ Reporting bias reflects bias of author ▪ Access may be deliberately blocked	▪ Letters, memoranda and other communiqués ▪ Agendas, announcements, minutes and other written reports of events ▪ Administrative documents: proposals, progress reports and other internal documents ▪ Formal studies or evaluations of the same ‘site’ under study ▪ Newspaper clippings and other articles appearing in the mass media
Direct Observations	▪ Reality: covers events in real time ▪ Contextual: covers context of event	▪ Time-consuming ▪ Selectivity: unless broad coverage ▪ Reflexivity: event may proceed differently because it is being observed ▪ Costly: hours needed by human observers	▪ Photographs, mental comprehension of evidence

Source: (Yin, 1994: 80)

Consistent with Yin's (1994: 82) recommendation, the three sources were used 'in conjunction with each other'. The intention was that, when the 'overwhelming evidence of the three sources produce a consistent picture, that satisfies the criteria' (Yin, 1994: 82).

According to Yin (1994: 85), this entails 'corroborating interview data with information from the organizational documents and direct observation'. The bottom-line was to 'determine the degree of convergence of the three sources of data - *data triangulation*' (Yin, 1994: 82).

4.4.3.1 Interviews

The view held by Riege (2003) is that, interviews 'constitute the primary source of evidence', which are broadly classified into three categories. These are: (1) *in-depth interviews,* which concentrate on obtaining rich and detailed information; (2) *convergent interviews* which narrow down the research focus; and (3) the *focus groups* concentrate on group interaction. This study assumes the *in-depth interview approach*.

As distinguished by Riege (2003), case study interviews are 'open-ended or semi-structured in nature'. This is described as that, 'the investigator asks key interviewees for the facts of a matter as well as for the respondents' opinions about events'. Occasionally, 'the investigator may use such a proposition as the basis to conduct further inquiries' (Riege, 2003).

To simplify matters, Choi and Hong (2002) suggest that, 'interviews should proceed at their own pace, and the researcher's role is to ensure that all questions on the interview tool are addressed'. Riege (2003) states that, ordinarily, 'interviews must be short and precise; otherwise, they become monotonous to respondents, compromising the research content'.

The general rule to terminating interviews, as suggested by Choi and Hong (2002), is through the data saturation point. In this case, this is a situation where the 'same information was going to be presented by the interviews from the rest of the brand centres, and hence, nothing new was going to be achieved or realized'.

The impression by Yin (1994: 85) is that 'interviews should always be considered verbal reports only'. Therefore, this exposes them to 'fundamental problems of bias, poor recall, and poor or inaccurate articulation' (Yin, 1994: 85).

The statement above tends to justify the use of a Dictaphone for this research, which provided 'a more accurate rendition of the interviews than any other method' (Yin, 1994: 85), and 'captures the richness of interviews' (Riege, 2003).

Having said that, Yin (1994: 86) presents a compelling argument that, the 'use of interview capturing devices is in part, a matter of personal preference'. Further, Yin (1994: 86) warns that there are limitations to using interview recorders, when:

- An interviewee refuses permission or appears uncomfortable in its presence;
- There is no specific plan for transcribing or systematically listening to the contents of the recorders;
- The investigator is clumsy enough with mechanical devices so that the tape recorder creates a distraction during the interview itself; and
- Most importantly, the false impression is that more often than not, investigators tend to think that the interview recordings substitute for *'listening'* closely throughout the course of the interview.

However, permission was first sought from the interview participants before using the device, and it transpired that, all the participants did not object to its use. Of importance, the semi-structured interviews were conducted with willing participants.

From MBSA head office in Pretoria, only executives involved with the brand campus concept were interviewed, namely: respective divisional managers for the Dealer Network Strategy, and Marketing and Communications. From Mercedes-Benz Umhlanga brand centre in Durban, only the dealer principals of Mercedes-Benz, Chrysler and Mitsubishi divisions were interviewed.

The Mercedes-Benz dealer principal (who was coordinating the process), had initially agreed to schedule five customers who they had conducted business with for about five years for this interview, but there were logistical problems on the day in question and the schedule had to change. The compromise therefore, was to randomly select five customers on the showroom who were willing to participate in the interviews.

The questions were more or less consistent for these three groups of participants for purposes of data triangulation. There were six semi-structured questions used to conduct the interviews with customers, twelve with dealer principals, and eleven with MBSA marketing executives. In this regard, the reader is referred to Appendices E to G to view the interview questions.

On average, the interviews lasted 30 minutes each, and the longest lasted about one and half hours. The schedule of interviews for this research is summarized in Table 4.6.

Table 4.6: Overview of the Interviews Schedule

Research Centre	**Physical Address**	**Location**	**Position of Respondent**	**Division**	**Time**	**Date**
MBSA Manufacturing	7 Settlers Way Gately Industrial Township, 5200	East London	MBSA Board Member (Meeting)	MBSA HR Directorate	± 2 Hrs	July 2008
MBSA Head Office	123 Wierda Road, Zwartkop, 0046	Pretoria	Divisional Manager	Dealer Network Strategy	± 1½ hrs	Oct. 2008
		Pretoria	Divisional Manager	Marketing and Communication	± 30 m	
Mercedes-Benz Umhlanga	2 Cane Gate Road, La Lucia Ridge, Umhlanga, 4051	Durban	Dealer Principal	Mercedes-Benz	± 1 hr	Nov. 2008
		Durban	Dealer Principal	Chrysler	± 30 m	
		Durban	Dealer Principal	Mitsubishi	± 30 m	
		Durban	5 Customers		± 10 m	

4.4.3.2 Organizational Documents

Yin (1994: 81) describes the *second source of data* as the *organizational documentation*. Further, ‘documentary information may assume various forms, and should be the object of explicit data collection plans, and their usefulness is not based on their accuracy or lack of bias’. As such, ‘documents must be carefully used and should not be accepted as literal recordings of events that have taken place’ (Yin, 1994: 81).

Not much documentation was availed as most information was ‘highly classified’, and the marketing executives or dealer principals were not at liberty to divulge full information, such as financial or market metrics. The evidence requested was to distinguish between the success (or not) before and after the implementation of the brand campus concept.

This was despite assurances that the information was only required for the purposes of this research. Under the best of circumstances, the researcher resorted to the publicly-available information in order to form an opinion concerning the subject matter.

4.4.3.3 Direct Observation

Yin (1994: 86) describes the *third source* as *direct observation*. In this regard, 'some observations serve as yet other sources of evidence in a case study, ranging from formal to casual data collection activities'. Stressing the importance of direct observation, Meredith (1998) is of the impression that this option entails 'first source (seeing it oneself) rather than second (speaking or writing to someone who saw or experienced it)'.

All the same, the purpose of these observations are primarily to 'verify the information collected from interviews and documentation' (Choi and Hong, 2002). In this regard, Yin (1994: 86) differentiates the observations in terms of formalities. Firstly, there is the *more formal approach*, where 'observational protocols can be incorporated or developed as part of the case study protocol'.

The second approach is *less formal*, where 'direct observations are made concurrently with other sources (interviews and documentation), throughout a field visit as evidence is being collected' (Yin, 1994: 87). Prime examples include observing 'the condition of buildings or work spaces, which may indicate something about the environment of an organization' (Yin, 1994: 87). In the same vein, 'the location or furnishings of a respondent's office may be one important indicator which signifies the status (hierarchy) of the respondent within the organization' (Yin, 1994: 87).

Observational evidence (such as photographic visuals), is often useful in providing additional information about the topic being studied, which 'helps to convey important case characteristics to outside observers' (Yin, 1994: 87). In this regard, the reader's attention is drawn to the visuals of the brand and lifestyle centres in Appendix H, which tell the story of graphical expressions of the lifestyle elements covered in the preceding two chapters.

That said, during the visit to the research site in Durban, there were guided tours around the three distinct Mercedes-Benz, Chrysler and Mitsubishi showrooms after the interviews. Based on the knowledge acquired during the review of literature on the subject matter, and interviews, the direct observation approach presented an opportunity to compare and contrast with the physical showrooms and the presence of the brands. As such, it is safe to conclude that the three separate showrooms were identified by the researcher as consistent with the literature without any contradictions whatsoever.

4.5 Composition and Reporting

Yin (1994: 127) asserts that the *compositional process* entails: (1) identifying the audience for the report; (2) developing the compositional structures; and (3) following certain procedures (such as having the report reviewed by some informed participants in the research).

In turn, the *reporting phase* is 'one of the most difficult to carry out when conducting case studies' (Yin, 1994: 127). As suggested by Yin (1994: 127), portions of this research, such as the bibliography, were continually generated as the research progressed through the referencing tool – Reference Manager, 'rather than waiting until the end of the data analysis processes'.

4.6 Ethical Considerations

Permission was sought from MBSA management before conducting the research via the MBSA board member responsible for projects. Confidentiality of information availed by research participants was guaranteed on the premise that there would be no information disclosures without the written permission or consent of MBSA.

All respondents were willing participants, and were assured in advance that the information being requested was purely for the purposes of this research only, and will not be disclosed to anyone outside of the frame of this research. All participants consented to the use of the Dictaphone to capture the interview proceedings. The final research document, the dissertation, will be available in the Rhodes University library.

4.7 Research Limitations

Firstly, at the beginning it was not clear as to which period was specifically under review. The research context as presented to candidates (from the 2006 RIBS class) interested in taking up the research was DaimlerChrysler. However, by the time the research was consummated, it became apparent that the organization reverted to Mercedes-Benz after the 2007 de-merger of Daimler-Benz and Chrysler.

Secondly, it would have been preferable to have customers who had a ‘purchasing history’ of not less than five years with the concerned dealership. The compromise to select customers for the interviews on the showroom floor defeated the overall objective of the research concerning the customer aspect to a large extent.

Thirdly, the withdrawal of the other dealership from participating in the inquiry largely affected the focus on both the dealer principals and customer perspectives. The research was deprived of additional three dealer principals and five customers from the Cape Town lifestyle centre. Their crucial opinions would have made a difference to this research overall.

4.8 Summary

This chapter concentrated on the research methodology adopted for this inquiry. Central to this research was the case study research methodology design, whose components constituted the discussion throughout the chapter. This started with the definition of the research problem, followed by discussions on the research objectives and questions. As a matter of principle, the intention was to enlighten the reader on the overview of the research.

The research design followed, which expounded on the case study as a research strategy. This pertained to its justification and shortcomings, as well defining the units of analysis. Next, was the discussion on the evaluative research, and the exploratory approach was adopted, followed by the analysis of the inductive nature of case study research, and the research paradigm.

With that in mind, the next discussion was on collecting the case study evidence, highlighting the techniques used, the sources of evidence, and the consequent quality control metrics to authenticate the data collection.

Subsequently, the discussion of composing and reporting on the evidence was followed by that of ethical considerations, and the research limitations. Overall, the documentary evidence provided in the appendices ties up with the discussion of the graphical elements covered earlier in the preceding chapters.

Chapter 5: Case Study Findings and Analysis

Consistent with Malhotra's (1993: 452) recommendation, 'once the research problem was defined in the introduction (Chapter 1), the literature reviewed (Chapter 2), the organization explained (Chapter 3), an appropriate research design formulated, and the field work conducted (Chapter 4), the next stage (this chapter) was data preparation and analysis'.

Following upon the procedure strongly recommended by Yin (1994: 102), the method of *data analysis* incorporated 'examination, categorization, tabulation or otherwise, recombination of the evidence to address the initial *research objectives* and *research questions* for this study'. According to Buhalis and Deimezi (2003), guided by these principles, the strategic importance of this research's empirical findings is to 'provide compelling analytical conclusions'.

As mentioned earlier in Chapter 4, underpinning this research, ten respondents who participated in this study constituted the *sample elements*, providing the 'evidence-in-chief' based on their responses to the open-ended and closed-ended structured questions. The sample consisted of: two MBSA marketing executives, three dealer principals representing Mercedes-Benz, Chrysler and Mitsubishi, and five customers.

5.1 The Evidence on the Objectives of the Brand Campus Concept

By and large, this section presents evidence which address the over-arching objectives of the brand campus concept (profitability, brand focus, customer orientation and diversity), as outlined earlier in Chapter 4.

5.1.1 Profitability

The rationale behind the brand campus concept was to increase profitability through 'streamlined retail facilities for sales, service and parts for both passenger and commercial vehicles' (MBSA Marketing Executive 1, 2008). As stated earlier in Chapter 3, this rationalization resulted in leaner structures (in terms of reporting and management), and fewer but larger and separate dealerships. Overall, this setup resulted in better service delivery since there was less competition between dealerships operating in the same territory.

Inferring from the discussions in Chapters 2 and 3, the premise is that, increased sales revenue streams, and hence, profit margins, emanate from unsurpassed service delivery to attract more customers, in addition to supplying genuine and original spare parts and accessories.

Corroborating evidence suggest that the brand campus concept has the making of a great venture judging by the reported sales figures. This tends to explain the resounding commercial success of this intervention: 'on the first day of opening in April 2006, 26 vehicles were reportedly sold at the Century City Lifestyle Centre in Cape Town' (Architect and Builder, 2006).

Nevertheless, from a different perspective, the counter-argument could be that, there are extenuating circumstances beyond MBSA's control which also impact on this profitability drive. Chief amongst them are external economic and market forces such as, the 'global credit crunch, or economic recession' (MBSA Marketing Executive 2, 2008).

But within the context of this research, the affluent customers in question 'are hardly affected by these economic vagaries' as discussed earlier in Chapter 3. Largely, this customer segment 'cushions' MBSA from the telling economic times which contribute significantly towards the declining global vehicle sales at the very least.

From the organizational perspective, the 'ultimate goal of providing the *total care concept* was to complement vehicle sales' (MBSA Marketing Executive 2, 2008). Without providing any supporting financial evidence for this inquiry, two marketing executives and three dealer principals reiterated that there was significant improvement in terms of the bottom-line, vehicle sales, or dealer viability, as a result of the brand campus concept.

However, what was clear from the interviews was that 'each brand centre was accountable for 8% of the market share' (Dealer Principal 3, 2008). As explained by Dealer Principal 3 (2008), for instance, 'if MBSA produces 1 million vehicles per annum, Mercedes-Benz Umhlanga was responsible for 8% market share of that tally'. That said, Dealer Principal 1 (2008) postulated that 'the five brand centres accounted for 70% of MBSA's vehicle sales volume between them'.

By and large, in terms of profitability the assumption was that, 'the state-of-the-art facilities, would attract more customers, translate into more vehicle sales, and in turn, higher profit margins' (Dealer Principal 1, 2008). All things being considered, it is not a given that the brand campus concept would automatically translate into a huge success.

5.1.2 Brand Focus

MBSA Marketing Executive 1 (2008) pointed out that 'historically (from 1998 onwards), DaimlerChrylser became a multi-branded organization encompassing Mercedes-Benz, Chrysler and Mitsubishi brands'. There is overwhelming evidence to suggest that 'the three brands were being diluted, and required a clear distinction' (MBSA Marketing Executive 1, 2008). This was explained in detail earlier in Chapter 3.

Moreover, according to MBSA Marketing Executive 1 (2008), the brand focus aspect was largely concerned with *brand separation*, into three distinct divisions, namely: Mercedes-Benz, Chrysler and Mitsubishi. As explained by MBSA Marketing Executive 1 (2008), this was necessitated by the explanation as given below:

- 'Suppose Mercedes-Benz launched a new vehicle model. This meant that the same salesperson would sell a new Mercedes-Benz brand which was 'flying-off the shelves since it was an easy sale', Chrysler and Mitsubishi brands. A customer walks in and is interested in the Mercedes-Benz vehicle only; naturally, the salesperson would only focus on the Mercedes-Benz and not look at the Chrysler or Mitsubishi brands. Reversing the situation, if Chrysler (or Mitsubishi) introduced a new brand, the focus would shift to Chrysler (or Mitsubishi), and the Mercedes-Benz brand would be forgotten'.

That said, the success story thus far is that 'the three brands are now completely separate, but existing on the same piece of ground (campus)' (MBSA Marketing Executive 1, 2008). As MBSA Marketing Executive 1 (2008) commented, these are 'standalone business entities in their own right, with separate reporting and management structures'.

As a matter of principle, the brand separation was meant to facilitate 'selling Mercedes-Benz as Mercedes-Benz, Chrysler as Chrysler, and Mitsubishi as Mitsubishi' (Dealer Principal 3, 2008). That way, there was no 'brand dilution whatsoever' (MBSA Marketing Executive 1, 2008).

Further evidence suggests that brand separation may facilitate retention of loyal clientele, whose 'vehicle purchasing decision making process is not influenced by the choices in the showroom' (Customer 3, 2008). Technically, it is incomprehensible to suggest that a customer would change his mind about whether or not to buy a Mercedes-Benz on the showroom floor.

As one customer remarked, ‘under no circumstances would a decision to buy a Mercedes-Benz C-Class simply be changed to buying a 4x4 Mitsubishi Colt on the showroom floor’ (Customer 5, 2008). To support this argument, brand dilution was ‘tarnishing the image of the signature brand – Mercedes-Benz’ (Customer 4, 2008), in the eyes of the affluent customers. Undoubtedly, ‘these brands side by side did not make an attractive proposition’ (Customer 1, 2008).

It cannot be discounted that even though the brands were separated, there remained the long-standing interactive and cordial relationship between the three separate brand divisions, as described by Dealer Principal 3 (2008):

- ‘The scenario is such that, a customer owns a Mercedes-Benz vehicle, and wants to purchase a Mitsubishi 4x4 Colt. In most cases, the customer would go to the same salesperson at Mercedes-Benz with whom he has forged a lasting relationship. As the ‘contact person’, in turn, the salesperson would refer the customer to the nearby Mitsubishi franchise on the same campus’.

Overall, this provides latitude for the sales and service personnel to be well-informed and become brand-specific in terms of dissemination of sales information, vehicle servicing and supply of vehicle parts and accessories. This translates into service delivery efficiency relative to these dimensions discussed in Chapter 2.

This means that the sales personnel would concentrate on a particular brand (Mercedes-Benz, Chrysler and Mitsubishi separately), improving sales information dissemination as compared to each sales personnel dealing with all the three brands at the same time. The same applies to the service personnel who are now focused on each brand separately, as opposed to servicing all three brands at the same time.

5.1.3 Customer Orientation

One of the keys to success of the brand campus concept was identified in the research as the all-important *‘customer satisfaction’* dimension (MBSA Marketing Executive 1, 2008). At the fore-front of this element was the provision of world-class service through the captivating lifestyle elements. According to Dealer Principal 1 (2008), these included: the inviting bistros and coffee shops, and spacious and secure kids’ playing areas. Dealer Principal 1’s (2008) explanation was that ‘the better the customer service, the more the chances of customers returning for more service' – so the reasoning goes. The interpretation is given by Dealer Principal 1 (2008), as follows:

- 'The premise is that, a customer's vehicle is serviced regularly at the same dealership for about three years. In the process, the customer receives satisfactory service and in time, if the same customer wants to purchase a new vehicle, the chances are he would return to the same dealer for the new vehicle upgrade'.

According to MBSA Marketing Executive 2 (2008), it seems that the customers bought into the concept, which 'improved the service delivery and customer satisfaction'. Nonetheless, 'the brand-specific merchandise and the vehicle boutiques also added to the improved customer relationships' (MBSA Marketing Executive 2, 2008).

Inevitably, there is an inherent social attachment to the brand campus concept - 'the concept of total experience' (MBSA Marketing Executive 1, 2008). Primarily, this is because the intention of the brand campus concept to was to create a fascinating 'centre for engagement in the captivating environment for customers when making a vehicle purchasing decision' (MBSA Marketing Executive 2, 2008). This experience is summed by Dealer Principal 3 (2008), as follows:

- '… whether customers visit us because they wish to buy, sell, service or just look around, we are all constantly in the same frame of mind, a Mitsubishi one'.

This brings to prominence, *brand loyalty*, which can only be established if customers relate to the brand. As previously-stated, the highly-esteemed Mercedes-Benz, and Mitsubishi brands in the same showroom did not work well for some customers.

Research evidence shows that, preferably, the status quo should remain, i.e., retaining the 'exclusivity of the Mercedes-Benz brand experience' (Customer 4, 2008). Furthermore, brand separation was MBSA's 'unique response to focusing on customer needs and expectations' (MBSA Marketing Executive 1, 2008).

Some customers 'appreciated the concept of the vehicle boutiques which provided them with wide-ranging options to purchase genuine and original brand-specific merchandise' (Dealer

Principal 1, 2008). In this regard, this presents customers with the opportunity to 'fully express their association with the particular brands' (MBSA Marketing Executive 2, 2008).

Largely, citing a study mentioned earlier in Chapter 3, a dissatisfied customer was likely to 'tell about 11 others about bad experience encountered with a service provider'; therefore, it is commendable that MBSA have measures in place to address the all-important customer delivery aspect. Conversely, a satisfied customer can be an 'effective marketer' for MBSA, on the other hand.

5.1.4 Diversity

The fourth pillar of the brand campus concept *diversity*, extends to economic empowerment through 'government intervention to redress the imbalances, equalize opportunities and provide a social safety net', via the Broad-Based Black Economic Empowerment (BBBEE) Act (No. 53 of 2003) (Balshaw and Goldberg, 2005: 22). Balshaw and Goldberg (2005: 73) explain that legislation is clear on the revised definition of 'black people'; this was limited to mean 'African, Indian and colored people'.

Dealer Principal 1 (2008) and MBSA Marketing Executive 1 (2008) help to explain MBSA's diversity initiative using the Durban operations, discussed as follows:

- 'In Durban for example, historically, the area was governed by three entities, namely: (1) McCarthy Motors; (2) Barloworld (conglomerate) – through their ownership of Natal Motor Industries (NMI); and (3) private entrepreneur Indian businessman, Yunus Akoo who owned Durban South Motors (DSM). Overall, in the greater Durban city, these three operators were competing for Mercedes-Benz, Chrysler and Mitsubishi businesses. As such, they offered heavy discounts in order to attract more sales. The overall impact of this was erosion of profitability, dealer viability and relationships, to a large extent. The solution lies herein: MBSA requested the three to find an amicable solution where there was only one operator in this Durban environment. That said, Barloworld, through NMI went into a 50-50 joint venture with Yunus Akoo's DSM, to form NMI-DSM. Thereafter, they negotiated a settlement where they bought out McCarthy, before establishing their operations as Mercedes-Benz Umhlanga at Umhlanga Centre. In Durban city centre, they converted some buildings into respectable dealerships'.

What transpired from the interviews was that the intention 'was for Umhlanga to be the *hub* of Mercedes-Benz, and the other dealerships in town (Durban city centre), to be *satellite facilities*'

(Dealer Principal 1, 2008). Similarly, the same strategy was used for the rest of these ‘limited edition’ lifestyle centre-based metro dealerships.

Moreover, MBSA required the ‘*brand centres* to acquire at least *25% + 1* black shareholding stake, whilst for the *market centres*, this was scaled down to *10%*’ (MBSA Marketing Executive 1, 2008; Dealer Principal 1, 2008). The discrepancy in the allocation of the shareholding stakes stems from the fact that the brand centres have high turnovers and are large businesses, as compared to the rural centres’ counterparts.

MBSA Marketing Executive 1 (2008) asserted that MBSA established a *fund* to provide the portal for the previously-disadvantaged groups of the South African society into the mainstream economy. The dynamics were such that, ‘for every MBSA vehicle sold, there was a determined amount or percentage (this was not provided in the interviews) that went into a *pot* (this fund), which over time grew into a large fund’ (MBSA Marketing Executive 1, 2008).

The procedure was that the small-scale enterprises would apply from the fund, a loan which was 50% of their total funding requirements (MBSA Marketing Executive 1, 2008). For example, if a business enterprise required R5m, from the fund MBSA would provide a loan amount of R2.5m, and the small-sized enterprise provided the deficit (R2.5m).

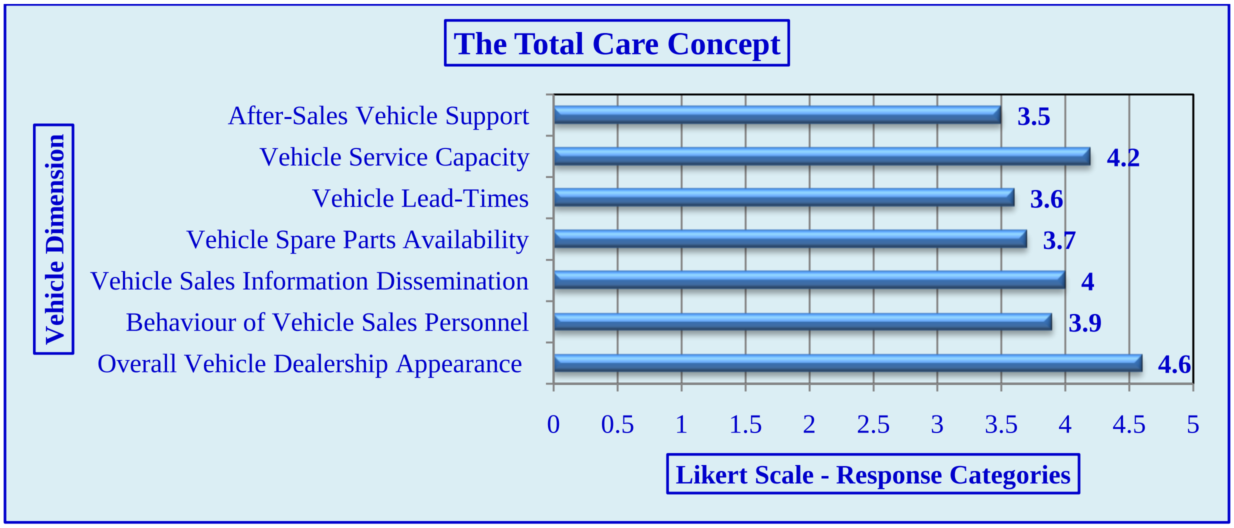
Overall, MBSA Marketing Executive 1 (2008) stressed that ‘after getting the funding, these entrepreneurs were not supposed to be *silent partners* but must be actively involved with the business dynamics’. Incorporating black entrepreneurs was a step forward in redressing the imbalances due to the past historic political dispensation, who could not easily secure loans from the mainstream financial institutions.

5.2 The Evidence on the Seven Elements of the Brand Campus Concept

The seven elements or drivers representing the ‘total care concept’ discussed in the preceding chapter, constitute the core functions of a dealership. The research participants were asked to provide their responses ranking the improvements made relative to the elements of the total care concept.

The reader’s attention is drawn to Appendix I, for the complete interview data gathered, which pertains to the responses of the open-ended section of the questionnaire. Collating the evidence from Appendix I, Figure 5.1 below shows the empirical evidence from the interviews of the brand campus concept seven elements.

Figure 5.1: Empirical Evidence on the Seven Elements of the Brand Campus Concept



A Likert Scale was used for the five response categories, namely: (1) much worse; (2) worse; (3) the same; (4) better; and (5) much better. From Appendix I, the research evidence was converted into % scores for the seven challenges of the brand campus concept based on the calculations using Equation (2):

$$\%\ Score_{(Seven\ Challenges)} = \frac{Aggregate\ Average\ Index\ Score_{(Seven\ Challenges)}}{The\ Number\ of\ Response\ Categories} \ldots\ldots\ldots\ (2)$$

Therefore, using the first dimension – *after-sales vehicle support dimension* as an example to calculate the % score, the computation was as follows:

$$\%Score_{(After-Sales\ Vehicle\ Support)} = \frac{Aggregate\ Average\ Score\ Index_{(After-Sales\ Vehicle\ Support)}}{The\ Number\ of\ Response\ Categories} \ldots\ldots\ldots\ldots\ (3)$$

$$= \frac{3.5}{5}\ x\ 100\%$$

$$= 70\%$$

The % scores for the rest of elements can be calculated using the same formula. The summary of the % scores for the elements as calculated using Equation (3) above, are shown in Table 5.1 below.

Table 5.1: Summary: % Scores for the Seven Elements of the Brand Campus Concept

Challenge	Aggregate Average Score	The Number of Response Categories	% Aggregate Average Score
After-Sales Vehicle Support	3.5	5	70%
Vehicle Service Capacity	4.2	5	84%
Vehicle Lead-Times	3.6	5	72%
Vehicle Spare Parts Availability	3.7	5	74%
Vehicle Sales Information Dissemination	4.0	5	80%
Behavior of Sales Personnel	3.9	5	78%
Overall Dealership Appearance	4.6	5	92%

Various conclusions were drawn from customers, dealer principals and MBSA marketing executives. The following sections deal with the evidence of the seven elements which impact the operations of the brand campus concept.

5.2.1 After-Sales Vehicle Support

One element which remained constant after the introduction of the brand campus concept was the *warranty aspect* of after-sales vehicle support. The catalyst in this regard, was Mercedes-Benz's acclaimed '*international warranty*, which allows a customer to take his vehicle for servicing to any dealership in the world' (MBSA Marketing Executive 1, 2008). The ripple effect was that, any dealership was obliged to 'service the vehicle regardless of where the customer purchased the vehicle from' (Dealer Principal 2, 2008).

Given the latitude to implement the after-sales services, the impression by Dealer Principal 2 (2008) was that adding to the manufacturer warranty, in turn, the dealerships facilitate additional services such as 'vehicle insurance and financing'. This is consistent with the discussion of core functions for dealerships as discussed earlier in Chapters 2 and 3.

As far as customers were concerned, 'the same warranty or guaranty under the old regime continued into the new' (Customer 5, 2008). The premise was that, for instance, 'the three-year warranty which comes with the vehicle purchases has got absolutely nothing to do with the changing face of dealership appearance' (Customer 1, 2008). The only exception though, would probably be when 'the dealer ownership changes hands' (Customer 3, 2008).

Under the brand campus concept, the separation of brands meant that *vehicle technical services personnel* play a pivotal role in this regard, and drive the after-sales vehicle support dimension. The result was that, the service personnel were no longer 'multi-tasking on all three vehicle brands, but are now focused on each brand separately' (MBSA Marketing Executive 1, 2008).

With an overall average index score of *3.5 out of 5*, the inclination was that there was *70%* concurrence that the after-sales vehicle support improved tremendously after the implementation of the brand campus concept.

5.2.2 Vehicle Service Capacity

The vehicle service capacity problems developed, because 'there was a single service department for all three brands' (Dealer Principal 2, 2008). The service personnel were 'not brand-specific but would repair all the three brands indiscriminately' (Dealer Principal 3, 2008). However, the brand campus concept delineated that 'each service centre and the respective service personnel specialize in their respective brands' (Dealer Principal 1, 2008).

The architects of the brand campus concept argued that, 'there was no way that the state-of-the-art showrooms could be served by a dilapidated or an outdated *vehicle booking systems*' (MBSA Marketing Executive 1, 2008). A new vehicle booking system was introduced as part of the package of the brand campus concept intervention. This served to contribute to the more efficient servicing of vehicles. Customers agreed that the new booking system eliminated most customer 'frustrations and hassles of waiting a long time to get a service booking' (Customer 4, 2008).

Since the brands were now separated, 'the service workshops were also separated' (Dealer Principal 1, 2008), resolving the long-standing service capacity problems more professionally. The technical staff focused on specific brands as opposed to the previously multi-branded environment (MBSA Marketing Executive 1, 2008).

Overall, the average aggregate score of *84%* reveals the improvement after the introduction of the brand campus concept in terms of vehicle service capacity, if the average index score of *4.2 out of 5* is anything to go by. This high score can largely be attributed to the technologically-advanced booking system introduced under the brand campus concept dispensation, and the improved vehicle repairing and servicing aspects after the brand separation.

In addition, under the brand campus concept, each service person was trained in a specific brand. This reduced service capacity problems which were experienced under the old dispensation when the service personnel were expected to attend to all three brands at the same time. As a result, there was reduced downtime on vehicles being serviced, which adds onto the customer satisfaction aspect.

5.2.3 Vehicle Lead-Times

Under the old regime, 'there were long vehicle lead-times exceeding the industry standard of 14 days which customers had to wait to get *delivery of a new vehicle*' (Dealer Principal 1, 2008). This improvement in lead-times can be attributed to the introduction of the 2000 New Distribution Policy (NDP) vehicle pooling system (MBSA Marketing Executive 1, 2008), which coincided with the 2002 implementation of the brand campus concept.

As a result, MBSA Marketing Executive 2 (2008) highlighted that, 'it became easier to market the MBSA brands from both the economic and business viewpoints'. From an objective point of view, this justifies the allocation of an average index score of 4 (Appendix I), from the marketing executives.

Most customers felt that the service lead-times significantly improved under the brand campus concept to warrant the respective average index scores of 4 (Customer 2, 2008; Customer 3, 2008; Customer 5, 2008), and maximum 5 (Customer 1, 2008; Customer 4, 2008). Overall, the score of *72% (3.6 out of 5)* is an indication of the significant improvement the brand campus concept brought to the vehicle lead-times dimension, largely due to the new vehicle delivery system (NDP) introduced.

5.2.4 Vehicle Spare Parts Availability

The availability of genuine manufacturer-guaranteed parts is one of the prime reasons customers form lasting relationships with the respective dealerships. Most customers who scored an average index score of 3 (Customer 1, 2008; Customer 2, 2008; Customer 4, 2008), felt that there was no change at all. This means that as far as they were concerned, there was no distinction between the traditional distribution arrangements and the brand campus concept.

Nonetheless, what these customers failed to notice was that there 'was enhanced spare parts availability' (MBSA Marketing Executive 1, 2008). This resulted from the improved *spare parts inventory* system under the brand campus concept which was driving this spare parts availability dimension.

Under the brand campus concept, the assumption was that there will be reliable 'genuine and original vehicle spare parts support' (Dealer Principal 3, 2008), which in the long term, tends to improve customer satisfaction levels. Additionally, a select few MBSA-approved retailers were charged with the responsibility of the efficient vehicle parts delivery.

However, two-thirds of the dealer principals (Dealer Principal 1, 2008; Dealer Principal 2, 2008), rated the improvement at an average index score of 4. MBSA Marketing Executive 1 (2008) attributed the high rating to the improved spare parts availability, as a result of an improved spare parts inventory system. The aggregate average index score under this dimension is *3.7 out of 5*. This amounts to *74%*, a score which shows overall satisfaction with the improved availability of spare parts dimension.

5.2.5 Vehicle Sales Information Dissemination

The empirical evidence from this research shows that, the customer vehicle purchasing decision-making process is heavily influenced by the available information. Therefore, it becomes imperative that the *vehicle sales personnel's* immense knowledge pertaining to dispensing of the requisite information to this effect be very high. Overall, this was driving the improvements in this information dissemination facet.

According to MBSA Marketing Executive 2 (2008), 'previously, the same sales personnel dealt with customers looking to purchase a Mercedes-Benz, attended to the needs of potential Chrysler owners, and advised on Mitsubishi queries in the same showroom'. Dealer Principal 3 (2008) reiterated that in essence, 'there were no specific sales personnel – each one would sell all the three brands inclusively'.

80% of customers interviewed (Customer 2, 2008; Customer 3, 2008; Customer 4, 2008; Customer 5, 2008), who scored an average index score of 3, felt that information dissemination differential levels remained the same. The conversion to the brand campus concept did not do much to sway their perceptions though.

There were contrasting fortunes to this effect; this is despite the fact that under the new regime the ‘vehicle sales personnel were better-trained to concentrate on each particular brand’ (Dealer Principal 1, 2008). Further, Dealer Principal 1 (2008) impressed that, ‘a Mercedes-Benz, Chrysler or Mitsubishi vehicle brand should be sold and serviced by the exclusive brand-specific sales and technical service personnel, respectively’.

Overall, the accumulated average index score of *4 out of 5* translates into *80%* confirmation that there were huge strides made by MBSA pertaining to the improved information propagation dimension. As stated earlier in the literature in Chapter 2, purchasing of the upscale MBSA vehicles is a decision not made lightly. If that is the case, the sales personnel ought to be well-versed in information pertaining to the products (MBSA brands) they are selling in order to be able to convince customers.

5.2.6 Behavior of Vehicle Sales Personnel

Representing the ‘face of the manufacturer’ (Dealer Principal 1, 2008), the sales personnel are the ‘first impression customers get about the organization they intend to do business with’ (Dealer Principal 2, 2008).

In this regard, it was in MBSA’s best interest to prioritize ‘retraining of the vehicle sales personnel in *customer relationships*’ (MBSA Marketing Executive 2, 2008). This dimension is driven by the entire spectrum of customer satisfaction, through sales personnel’s attitudes, courteousness, friendliness, helpfulness and politeness in general.

From the customer perspective, it can be argued that ‘if a customer comes in and receives world-class treatment’ (Customer 3, 2008), naturally, the impression would be ‘I will call again, as well as recommending the dealer to other customers’ (Customer 2, 2008); conversely, the opposite is true. This two-pronged opinion justifies the averaging of the decisions to remain ‘in the middle of the road’ as both sides of the argument hold valid; hence, the average index score was 3.

One customer felt that ‘the sales personnel portray the organizational culture’ (Customer 5, 2008). The general viewpoint is to the effect that ‘customer loyalty with a dealer lies in this domain' (Customer 4, 2008). As a result, 'more is expected of the dealerships to deliver to the satisfaction of this customer mindset' (Customer 1, 2008).

Looking from outside in, as far as customers were concerned, this is highly debatable. It all depends – if one gets improved service delivery on the day, naturally, a customer's perception would rate the dimension high enough, and the opposite is true.

Overall, the aggregate average index score of *3.9 out of 5 (78%)*, can be interpreted as that, there was above average improvement of the performance of the vehicle sales personnel under the brand campus concept. As stated earlier in the literature, one inherent aspect of dealership personnel which makes a difference to customer expectations is the friendliness, or helpfulness of the sales personnel. As the 'face of the dealership', they are the first 'port of call' for customers. Customers may judge the dealership based on the treatment they receive from the sales personnel.

5.2.7 Overall Vehicle Dealership Appearance

The pinnacle of the brand campus concept was the overall presentation of the dealership. The MBSA marketing fraternity prided themselves with this *infrastructural spectacle* which drives this overall dealership appearance dimension (MBSA Marketing Executive 1, 2008; MBSA Marketing Executive 2, 2008). The average index score was a maximum 5 between them (Appendix I).

Judging by the respective scores of 4 (Dealer Principal 2, 2008; Dealer Principal 3, 2008), and 5 (Dealer Principal 1, 2008), respectively, the dealers reckoned the over-arching importance of the overall appearance of the breath-taking infrastructure. In the same breath, customers were highly-adaptive to the innovative concept, with high scores of 4 (Customer 3, 2008; Customer 4, 2008), and 5 (Customer 1, 2008; Customer 2, 2008; Customer 5, 2008).

Overall, this dimension accounted for the highest average index score of *4.6 out of 5*, and proved to be the principal driver of the brand campus concept. This translates to a whooping *92%* overall satisfaction with the superlative building architectural dimension, which brought to prominence, the improved appearance and environment of the dealerships.

Largely, there is no denying that the compelling argument for this high score is attributable to the impressive state-of-the-art showrooms, inviting bistros, safe and secure kids' playing centres, and attractive brand-specific merchandise shops, amongst others. Also, the attraction of this masterpiece was the outstanding graphical lifestyle elements, both the interior and exterior aspects, respectively.

5.3 Partnership Between Marketing Departments of MBSA and Lifestyle Centres

In terms of marketing support, MBSA went into partnership with the dealerships of the lifestyle centre concept to assist with the marketing strategy. According to MBSA Marketing Executive 2 (2008), MBSA were actively involved with the entire marketing process of Mercedes-Benz's Lifestyle Centres, to ensure that the 'marketing strategy was standardized across the board'.

The first requirement from MBSA was that, 'it was mandatory that MBSA's five lifestyles centres have a marketing plan' (MBSA Marketing Executive 2, 2008). MBSA Marketing Executive 2 (2008) identified *three levels of advertising* MBSA used with the respective dealerships, namely:

- *Brand advertising* – entailed building and promoting brand- and product-based awareness.
- *National dealer advertising* – controlled from MBSA head office under the auspices of a dealer committee; primarily, this relates to designing of tactical advertising.
- *Individual dealer advertising* – under this strategy, each dealer had the prerogative to do supplementary advertising which they deemed fit relative to their dealership.

The first two campaigns are funded by MBSA, whilst the third is a self-sponsored initiative of each dealer, with MBSA providing the requisite tools (MBSA Marketing Executive 2, 2008).

To ensure compliance with marketing imperatives, 'MBSA holds regular meetings called *brand centre workshops* with the dealers' (MBSA Marketing Executive 2, 2008). Further, as MBSA Marketing Executive 2 (2008) explained, these are platforms for 'the respective marketing departments from the dealers and MBSA to collaborate on wide-ranging marketing issues'. The intention was to 'create cultural or mutual relationships with all parties involved as opposed to merely competing with each other' (MBSA Marketing Executive 2, 2008).

Initially, dealers were ‘skeptical of these 30 minute sessions which they considered disruptive to their businesses, but in time, they bought into the whole concept’ (MBSA Marketing Executive 2, 2008). The meetings helped the dealers to ‘adapt with staff changes and movements, new buildings, and even furnishings’ (MBSA Marketing Executive 2, 2008).

As part of the entire package, MBSA provides the dealers with logistical assistance such as ‘planning in terms of the layout of the vehicle displays, branding of the showrooms, specific logos, and brand-specific merchandise’ (MBSA Marketing Executive 2, 2008). This was to ensure that uniformity reverberated throughout MBSA’s dealer network so that everyone ‘spoke the same language, and was also on the same page’ (MBSA Marketing Executive 2, 2008).

Despite the autonomy enjoyed by the dealers, MBSA had the prerogative to ‘recommend the vehicle retail prices factoring in all relevant costs’ (MBSA Marketing Executive 2, 2008). However, ‘putting mark ups or setting operating margins remained at the discretion of the dealers’ (MBSA Marketing Executive 2, 2008).

On the whole, what were the risk implications of the lifestyle centres in the first place? This pressing question is answered in the next two sections, which are presentations and discussions of the research findings pertaining to the *research objectives* and the *research questions.*

5.4 Method of Analysis of the Brand Campus Concept

The qualitative research evidence is discussed via *interpretational thematic content analysis* of evidence underlying the research objectives and challenges, which entails following trends, themes or patterns as they emerged from the research. This bordered on Choi and Hong’s (2002) strong recommendation on the mode of this research. This was to *inductively search* for evidence from the perspectives of customers, dealer principals and MBSA marketing executives.

Following Yin’s (1994: 36) suggestion, in relation to *analytical generalization* of the research findings, ‘this research generalizes a particular set of results to some broader theory’. As proposed by Malhotra (1993: 63), an analytical model is ‘a set of variables and their inter-relationships are designed to represent in whole or in part, some real systems or processes.

In addition, models can have ‘many different forms and the more prominent ones are the verbal, graphical, and mathematical structures’ (Malhotra, 1993: 63). These models ‘depict the same phenomenon or theoretical framework in different ways’ (Malhotra, 1993: 63).

Malhotra (1993: 63) stressed the importance of a *mathematical model* in this respect, which ‘explicitly specifies the relationship among variables, usually in equation form, and can be used to formulate the research design’. Primarily, this method has the added advantage of ‘being amenable to manipulation’ (Malhotra, 1993: 63), and was so chosen for this research analysis.

5.4.1 Mathematical Analysis on the Objectives of the Brand Campus Concept

Based on Malhotra’s (1993: 63) suggestion to use mathematical models, the recommendation from this research is that, the analysis of the evidence can also assume a similar approach. It is apposite at this juncture to mention that this approach was not used for this research because there was no substantial evidence provided regarding sales margins, profit margins, or market positions as a result of the implementation of the brand campus concept.

Therefore, it was not feasible from the researcher’s point of view to analyze the qualitative evidence gathered from this research. However, the research though, exemplified how the mathematical analysis could be utilized by MBSA using arbitrary values and not actual values gathered from the research in this section.

The analysis of the evidence on the objectives of the brand campus concept (profitability, brand focus, customer orientation and diversity), can be used as example and integrated using the mathematical quadratic equation shown in Equation (4):

$$y = mx + c \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots (4)$$

Equation (4) can be expanded as shown in Equation (5):

$$y = a_0 + \sum_{i=1}^{n} a_i x_i = a_0 + a_1 x_1 + a_2 x_2 + a_3 x_3 + a_4 x_4 \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots (5)$$

From Equations (4) and (5):

- $m = a_1 \ldots\ldots a_4$
- $x = x_1 \ldots\ldots x_4$
- $c = a_0$

Expanding the two equations further,

- y = the evaluation of the brand campus concept
- a_0= minimum return on investment (ROI)
- a_1 ... ... a_4 = the drivers of the respective four objectives
- x_1= profitability, in terms of sales margins, vehicle sales, the bottom-line
- x_2 = brand focus, in terms of the brand separation into Mercedes-Benz, Chrysler and Mitsubishi divisions
- x_3 = customer focus, in terms of the total care concept
- x_4 = diversity, in terms of meeting the BBBEE imperatives

Assigning numeric values, let one (1) represent performance by an objective, and zero (0) - non-performance. For the four objectives, this is illustrated as follows:

$$x_1 = x_2 = x_3 = x_4 = 1 \text{ (performance); and}$$

$$x_1 = x_2 = x_3 = x_4 = 0 \text{ (non-performance).}$$

Substituting for these conditions (for performance) in Equation (5) above, for the *performance* metrics, this translates to:

$$y_{Performance} = a_0 + a_1 1 + a_2 1 + a_3 1 + a_4 1$$

If the four objectives have been delivered upon successfully, the result would be($y_{Performance}$). For the *non-performance* aspect, Equation (5) above becomes:

$$y_{Non-Performance} = a_0 + a_1 0 + a_2 0 + a_3 0 + a_4 0, \text{ which reduces to:}$$

$$y_{Non-Perfomance} = a_0 = a\ constant$$

Similarly, if the performance of the four objectives is abysmal, the brand campus concept should still deliver on the minimum return on investment (a_0), as shown by($y_{Non-Perfomance}$). This means that MBSA would still be able to sell their vehicle brands even if discounting the impact of the four objectives.

That said, considering the *profitability dimension* only to have been delivered upon satisfactorily, and discounting the other three objectives as non-performances, this can be explained as follows:

Let,

$$x_1 = 1\ (performance), and\ x_2 = x_3 = x_4 = 0(non-performance), \text{ then}$$

$$y_i = a_0 + a_1x_1 + a_20 + a_30 + a_40$$

$$= a_0 + a_1x_1 \text{ …..………………… (i)}$$

The *profitability drivers*(a_1) represent delivery on such metrics as achieving on the bottom-line, vehicle sales, and sales margins. In numeric terms (a_1x_1), together with the value of the minimum returns(a_0), their sum constitutes the overall value of the profitability dimension (y_i) in Equation (i) above, when discounting the contributions of the other three objectives.

Similarly, considering only the *brand focus objective* as the only deliverable, the computation is as follows: let,

$$x_2 = 1\ (performance), and\ x_1 = x_3 = x_4 = 0(non-performance), \text{ then}$$

$$y_{ii} = a_0 + a_10 + a_2x_2 + a_30 + a_40$$

$$= a_0 + a_2x_2 \text{ ………………….. (ii)}$$

In this case, the brand separation (a_2) into Mercedes-Benz, Chrysler and Mitsubishi drives the overall *brand focus dimension*. Its value (a_2x_2), together with that of the minimum expected returns(a_0), gives the numeric representation of the value of the brand focus element (y_{ii}) in Equation (ii).

Focusing on the *customer-centric objective* as the only deliverable and discounting the other three, this follows the same pattern as the first two objectives described above: let,

$$x_3 = 1\ (performance), and\ x_1 = x_2 = x_4 = 0 \text{ (non-performance), then}$$

$$y_{iii} = a_0 + a_10 + a_20 + a_3x_3 + a_40$$

$$= a_0 + a_3x_3 \text{ ………………….. (iii)}$$

Delivery on satisfactory customer service levels, is based on the enhanced performances of the eight challenges (in Section 5.3) identified as the drivers (a_3) of the brand campus concept. The overall tally (a_3x_3) for this dimension(y_{iii}) is shown in Equation (iii), which incorporates the value of the expected minimum returns(a_0).

Finally, on the premise that the *diversity objective* has been the best performer and discounting the other three objectives' performances, the computations are as follows: let,

$$x_4 = 1\ (perfomance), and\ x_1 = \ x_2 = \ x_3 = 0(non-performance), then$$

$$y_{iv} = a_0 + \ a_1 0 + \ a_2 0 + \ a_3 0 + \ a_4 x_4$$

$$= a_0 + \ a_4 x_4 \text{ ………………….. (iv)}$$

Fulfilling and compliance with all the necessary BBBEE requirements by MBSA constitute the drivers (a_4) of the diversity initiative. This means that this diversity objective(y_{iv}), has been accomplished, and the representative value (a_4x_4) in this regard is calculated using in Equation (iv), and integrates the value of the expected minimum returns(a_0).

Therefore, when all is said and done, the ultimate evaluation of the brand campus concept reduces to the equation provided below, which ultimately reduces back to Equation (5) shown earlier, as follows:

$y = a_0 + \ y_i + \ y_{ii} + y_{iii} + y_{iv}$. This reduces to the following:

$$y = a_0 + \ a_1x_1 + \ a_2x_2 + \ a_3x_3 + \ a_4x_4 \text{ ………………………… (5)}$$

The following is an example of how this can be illustrated using numerical values: let the *arbitrary values* of the four objectives, and for the coefficients or drivers be:

x_1 = 4; x_2 = 9; x_3 = 5; x_4 = 3 (Four Objectives)

a_0 = 2; a_1= 7; a_2 = 6; a_3 = 8; a_4 = 1 (Drivers)

Substituting for these *arbitrary values* into Equation (5), the following two conditions apply:

- **Condition 1**

The premise is that, all the four objectives have not been delivered upon (i.e. x_1 = x_2 = x_3 = x_4 = 0), therefore from Equation (5):

$$y_{Condition\ 1} = 2 + \ 7(0) + \ 6\ (0) + \ 8\ (0) + \ 1\ (0)$$

$$= 2 = \text{constant}$$

Therefore, if all four objectives do not deliver satisfactorily ($y_{Condition\ 1}$), the brand campus concept will still deliver on the minimum return on investment (in this case, represented by 2, which is a constant).

- **Condition 2**

The premise is that all four objectives have done exceptionally well in their respective areas. Substituting for the *arbitrary values* for the four objectives, and the respective coefficients, from Equation (5):

$$y_{Condition\ 2} = 2 + 7(4) + 6\,(9) + 8\,(5) + 1\,(3)$$

$$= 127$$

This states that the successful delivery on all the four objectives ($y_{Condition\ 2}$), results in an equally high arbitrary value, in this case represented by 127. However, the same calculations can be used to express the contributions of each brand separately, or as a collective unit for all four objectives together.

5.4.2 Mathematical Analysis on the Challenges of the Brand Campus Concept

Once more, this mathematical model under this section was not used for the analysis of the results of this research because there was no substantial evidence provided by the respondents in order to determine the impact of the implementation of the brand campus concept in terms of the actual values. All the same, MBSA can use the model with their financial and market data (sales figures, profit margins, or market positions).

Equation 6 below was adapted from the concept of the 'consumer demand theory', as provided suggested by Salvatore (2004: 88). The overall impression is such that, the evaluation of the brand campus concept is a function of the seven challenges as shown in the equation which follows.

$$Q_{d_x} = f\,(C_x, D_x, E_x, F_x, G_x, H_x, I_x) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \text{(6)}$$

From Equation (6):

- Q_{d_x} = the evaluation of the brand campus concept
- C_x = after-sales vehicle support
- D_x= vehicle service capacity
- E_x = vehicle lead-times

- F_x = vehicle parts availability
- G_x = vehicle sales information dissemination
- H_x = behavior of vehicle sales personnel
- I_x = overall appearance of the vehicle dealership

From Equation (6) above, the evaluation of the brand campus concept in terms of its success or otherwise, is a unique combination of the enhanced performance of the seven challenges. Raising the stakes even higher, a change in any of these variables attenuates the overall outcome.

With reference to Table 5.1 given earlier, the aggregate index score for the seven dimensions was pulled down to 78% (Q_{d_x}), despite 3 indices (D_x, G_x, I_x) scoring 4 (translating into 80% and above). This is obtained from the following computations as shown in Equation 7:

$$Overall\ Aggregate\ \%\ Score_{(Seven\ Challenges\ of\ the\ Brand\ Campus\ Concept)}, Q_{d_x}$$

$$= \frac{C_x+D_x+E_x+F_x+G_x+H_x+I_x}{7} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \ (7)$$

$$= \left(\frac{70+84+72+74+80+78+92}{7}\right)\%$$

$$= 78\%$$

This is largely due to the lowest index score of *3.5* (C_x), which is the *after-sales vehicle support*. This means that there was *70%* improvement regarding this dimension.

From this standpoint, the average index ratings of 3 (Appendix I) and above such (C_x,E_x, F_x, H_x) translating to 70% and above as well, are still quite high, and this average value (70%) forms the point of reference.

However, regarding the subject matter the scores in the 70% regions are the lowest performances. All the same, from the evidence in Table 5.1 shown earlier, the argument still holds that the ratings above the chart-topping indices of 4 (which translate to 80%) - variables$D_x, G_x\ and\ I_x$ would be the preferred choice to stake an even higher market share for MBSA.

Breaking down the evidence further, from Table 5.1, the consolidated index scores make for interesting reading. Exposition of the seven challenges reveals that the highest improvement after the conversion from the traditional distribution system to the brand campus concept was the *overall dealership appearance* dimension. This warranted an average index score of a high *4.6 out of 5*, which that there was a *92%* seal of approval regarding the superlative infrastructure.

The concluding remarks for this section, point to the all-important verdict; the research evidence in Table 5.1 made it abundantly clear that the brand campus concept is not stone-cast; much work still needs to be done to improve on the overall aggregate average index score of *78%*, for all the seven elements under review.

5.5 The Outlook on the Brand Campus Concept

The pertinent question then arises: what does the future hold for the brand campus concept? Going forward, the long and short of the brand campus concept is that, the exact meaning of the rankings reflect the concerns which MBSA would do very well to address on a sliding scale.

In the short-term, the after-sales vehicle support dimension had the lowest ranking (70%) (Table 5.1), which means more resources and energy should be channeled towards this cause. However, this does not mean that everything else should go to the back burner, such as the high performing *overall vehicle dealership appearance* dimension which retained the highest average index score (92%).

In the long run, the management of the customer base leads to the ultimate objective – profit maximization. Therefore, the synergistic integration of all the dimensions reviewed spells greater opportunities for the brand campus concept as a whole if well-executed.

5.6 Summary

This chapter focused on the *presentation* of the empirical case study evidence, and the corresponding *analysis* thereof. These two aspects addressed the research objectives on one hand, and the research questions on the other. The data was gathered through semi-structured interviews, in conjunction with the research instrument, the questionnaire. There were ten respondents, spanning across five customers, three dealer principals and two MBSA marketing executives, who constituted the *'sample elements'*.

The evidence on the *research objectives* was based on the four objectives of the brand campus concept, namely: profitability, brand focus, customer orientation, and diversity. The respondents were asked to provide their own opinions regarding these four dimensions.

The *research questions* dimension focused on probing the impact of the brand campus concept relative to the seven elements of this intervention. These were: after-sales vehicle support, vehicle service capacity, lead-times, spare parts availability, and sales information dissemination, behavior of the vehicle sales personnel, and the overall dealership appearance. The respondents were asked to rank the dimensions based on a Likert Scale of 1 (much worse) to 5 (much better).

The method of analysis focused on the analytical generalization of the results, based on two mathematical forms. The first one concentrated on the analysis of the evidence on the research objectives, and the second, on the findings of the challenges of the brand campus concept pertaining to the research questions.

When all is said and done, this is still work-in-progress. As insinuated by MBSA Marketing Executive 1 (2008), 'the brand campus concept strategy is not yet fully complete in respect of getting the dealerships to fully comply with the building specifications'.

Chapter 6: Conclusion and Recommendations

This chapter presents the summary of the research, research conclusion, and recommendations future research.

6.1 Summary of the Research

The main purpose of this study was the evaluation of the brand campus concept implemented at MBSA in 2002, as a case study. Looking at the bigger picture, the crux of this evaluation was on the perspectives of customers, dealer principals and MBSA marketing executives.

The marketing strategy forms the basis of this study, narrowing down to the extended 7Ps marketing mix model, and ultimately, onto the distribution strategy, which shaped the scope of this research in its entirety.

It was imperative to give a prologue of the organization as a whole, starting from the grand entrance of Mercedes-Benz into South Africa in the 1950s. This was followed by the strategic partnership with Mitsubishi Motor Corporation (1994), the historic merger with Chrysler (1998), and subsequently, the de-merger with Chrysler (2007).

The 1998 DaimlerChrysler merger meant that the three brands, namely: Mercedes-Benz, Chrysler and Mitsubishi, had to share the same showroom space, and the brands were positioned next to each other. The resultant problems due to these strategic imperatives were discussed at length, and spanned across: brand strength dilution, randomly-dispersed dealerships without specific areas of responsibilities, multi-branded showrooms, service capacity problems, old distribution infrastructure, and perceived intra-brand completion.

To overcome these problems, then DaimlerChrysler South Africa (Pty) Ltd. (DCSA), implemented the Dealer Network Strategy (DNS). This was meant to address the raised concerns by streamlining the dealer network into five brand centres in five metro areas, and eighteen market centres in rural areas.

The dealerships operated under franchise agreements in which they are signatories with Mercedes-Benz South Africa (Pty) Ltd. (MBSA). As such, there are legal parameters and connotations to this rule. This entails observance of the following practices: unfair competition practices, cartel arrangements, and franchising and marketing dynamics.

The brand campus concept evolved out of DNS, and the major focus was on rationalizing the retail facilities for sales, service and parts for both the passenger and commercial vehicles, respectively. The three MBSA brands (Mercedes-Benz, Chrysler and Mitsubishi), were housed in three separate state-of-the-art showrooms, falling under one vehicle campus.

In turn, the respective vehicle service aspects, personnel, and reporting and management structures were also separated, which entailed independent business entities. The brand campus concept was discussed through two concepts, namely: service branding (which comprises of the total care concept elements), and the concept of the Corporate Visual Identity System (CVIS) (which defines the graphical impressions such as signage, and landscaping).

Central to this theme was the concept of the lifestyle centres. The intention was to change the conventional *'selling vehicles'* mindset to one of providing comprehensive *'one-stop vehicle purchasing solutions'*. As a result, four Mercedes-Benz lifestyle centres were established in four metro regions. Together with the respective timelines, these are: Mercedes-Benz Umhlanga in Durban, established in 2002; Mercedes-Benz Century City, Cape Town (2006); Mercedes-Benz Bedfordview, Johannesburg (2007); and Mercedes-Benz Menlyn, Pretoria (2008).

More importantly, the underlying objective was to complement vehicle sales with lifestyle elements, which ranged from: inviting bistros, vehicle boutiques, and brand-specific shops, to kids' playing centres. Delivery on the seven challenges of the brand campus concept was one of the key alternatives available to MBSA in order to address the shortcomings of the traditional distribution system, as a result of the DaimlerChrysler merger.

When all is said and done, the brand campus concept was propped up by the efficient vehicle pooling system, which forms part of the New Distribution Policy (NDP). This was introduced to streamline vehicle sourcing and distribution logistics, which precluded dealerships from holding onto vehicle stocks in their showrooms.

Consistent with the research design, the research objectives and research questions defined the course this research pursued. Further, the research design set the parameters of the case study methodology assumed for this study, as well as the inductive approach and research paradigm adopted.

The semi-structured interviews played a major role in terms of the provision of the research evidence gathered from two MBSA marketing executives, three dealer principals and five customers. In addition, there was variation in information sources, which included: organizational documentation, as well as the evidence gathered through direct observation.

The interviews were complemented by the research instrument - the questionnaire, used in conjunction with a Dictaphone, which is widely- renowned for capturing the interview proceedings as accurately as possible. Two tests which validated the data collection process were observed, namely: construct validity and reliability.

The research evidence gathered concentrated on two aspects pertaining to the brand campus concept as a whole. These were: (1) the objectives (profitability, brand focus, customer orientation, and diversity); and (2) the total care concept which constituted the challenges (after-sales vehicle support, vehicle service capacity, lead-times, spare parts availability, sales information dissemination, behavior of vehicle sales personnel and overall dealer appearance).

The method of analysis was analytical generalization, based on the discussion of the evidence gathered using two mathematical representations. These were: mathematical analysis of the research objectives, and mathematical analysis of the challenges of the brand campus concept answering the research questions. Thereafter, this was followed by the outline on what the future holds for the brand campus concept.

6.2 Research Conclusion

In a competitive and dynamic environment such as the automotive industry, it is imperative that the product or service offering by enterprises also become innovative in order to remain viable and competitive. It is against this backdrop that Mercedes-Benz South Africa streamlined their dealership network, which culminated in the brand campus concept.

It goes without saying that, it is only natural that any new marketing concept raises the euphoria levels, and the brand campus concept is no exception. All in all, the intervention was necessary and made a huge difference to the operations of the Mercedes-Benz dealerships.

However, the flagship Mercedes-Benz brands under review are world-renowned products, and sales are guaranteed regardless of the condition or status of the dealership. For instance, the rural centres are not on the same level as the brand centres, but they still record equally-impressive volume sales. This does not mean that the dealership appearance does not matter though.

There was no substantial evidence provided by the research participants to show the financial and market metrics (sales, profit margins and market positions) prior to and after the implementation of the brand campus concept. This information would have been very helpful for this research in making an informed decision as to the performance of MBSA before and after the implementation of the brand campus concept.

Importantly, it is difficult to directly credit the brand campus concept for changes in sales, profit margins, or market positions. There are other external economic variables (such as credit crunch or recession) which impact on the sales, profit margins or market positions, making it difficult to attribute to what improved or not as a result of the brand campus concept.

As things stand, would MBSA or the concerned dealers be in a position to ascertain what performance can or cannot be directly attributed to the brand campus concept? In addition, is there a tracking mechanism in place to attribute the vehicles sold directly to the campus concept? Following up on that, how does MBSA evaluate the project in terms of return on investment?

The study findings show that there is no telling as to whether or not, profit margins, sales, the bottom line, or market positioning improved as a result of the brand campus concept. As a profit-driven venture, this is particularly important when considering that customers are primarily-concerned with the vehicle itself more than with the dealerships from which they bought it.

The research evidence revealed widespread acceptance of the success of the brand campus concept. But that does not prove anything until and unless that translates into vehicle sales in this buyers' market. Could it be that this success is overrated? The judicious explanation lies in comprehensive and consummated follow-up research as recommended in this study.

True, marketing draws customers to where a product can be found, but when it comes to the vehicle sales figures, this is a different story. Preceded by its reputation, it should not be discounted that MBSA can be guaranteed of vehicle sales to a large extent based on this premise.

Incidentally, here is a program which was deployed but without necessarily having the metrics to evaluate its success or otherwise. However, the brand campus concept has all the hallmarks of a successful innovative intervention.

Under the best of circumstances, it is fair to assume that the main purpose of this research was addressed – which was the evaluation of the brand campus concept from the perspectives of customers, dealer principals and MBSA marketing executives. This was attained on back of the research objectives on one hand, whilst answering the research questions on the other. Subsequently, the following recommendations were proffered for further research.

6.3 Recommendations on Further Research

MBSA can take heart from this study and use it as a platform to launch a more comprehensive investigation to engage the rest of the brand centres which were not covered in this research. This requires a more representative countrywide customer base that did business with MBSA for at least five years. This has potential to provide an accurate reflection of the real situation on the ground. Salvatore (2004: 188) is convinced that, 'using the results of the poll, the dealership can forecast its national sales for different levels of customers' future disposable income, as well as market and economic conditions'.

Despite the apparent focus on the brand centres only, this study proposes that further research may be necessary to extent the evaluation to transcend beyond the brand campus concept lifestyle centres to encompass the market centres as well. This way, MBSA can evaluate the broader Dealer Network Strategy as a whole. As such, the two mathematical models presented in this study could be adopted and used to trace the outcome of the brand campus concept.

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Appendix A: Mercedes-Benz Dealer Network List: Southern Africa

Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	North West	Northern Cape	Western Cape
CBF Motors Humansdorp	John Williams Motors Bloemfontein	Autohaus Danmar Longmeadow	Eurocar Kokstad	Mercurius Motors CV Polokwane	De Wit Motors CV Ermelo	Cargo Motors Klerksdorp	Gariep Motors Kimberley	Eikestad Motors
Eurocar Umtata	John Williams Motors Ficksburg	Grand Central Motors Midrand	Garden City Motors CV Pietermaritzburg	Mercurius Motors Polokwane	McCarthy Kunene Witbank	Cargo Motors Potchefstroom	Zelco Motors Upington	Malmesbury Motors Malmesbury
Maritime Motors Grahamstown	John Williams Motors Langenhoven	Mercedes-Benz Bryanston	Garden City Motors Ladysmith	Mercurius Motors Tzaneen	Stucky Motors Piet Retief	Century Motors Carletonville		Mercedes-Benz Century City
Maritime Motors Port Elizabeth	John Williams Motors Welkom	Mercedes-Benz CV Zandfontein	Garden City Motors Pietermaritzburg		Stucky Motors Volksrust	Maemo Motors Rustenburg		Mercedes-Benz Claremont
Ronnies Motors East London	New Vaal Motors Bethlehem	Mercedes-Benz CV Wadeville	McCarthy Inyanga Empangeni		Union Motors Lowveld CV and Parts Centre			Mercedes-Benz CV Cape Town
Ronnies Motors East London Settlers Way		Mercedes-Benz Bedfordview	McCarthy Inyanga Vryheld		Union Motors Lowveld Pre-owned			Mercedes-Benz Orbit Motors Culemborg
Star Motors King Williamstown		Mercedes-Benz Centurion	Mercedes-Benz CV Durban		Union Motors Nelspruit			Namaqua Garage van Rynsdorp
		Mercedes-Benz CV Centurion	Mercedes-Benz Durban		United Motors Bethal			Orbit Motors Boland
		Mercedes-Benz CV East Rand	Mercedes-Benz Umhlanga		United Motors Bethal CV			Paarl Motors Paarl
		Mercedes-Benz CV Roodepoort	NMI-DSM Pinetown		United Motors Trichardt Pre-owned			Rola Motors Strand

		Mercedes-Benz Constantia Kloof	Stucky Motors Newcastle					Stanmar Motors George
		Mercedes-Benz East Rand Mall	Union Motors Shelly Beach					Stanmar Motors Knysna
		Mercedes-Benz Fountains	Union Motors South Coast					
		Mercedes-Benz M2 City						
		Mercedes-Benz Menlyn						
		Mercedes-Benz Northcliff						
		Mercedes-Benz Parts Centre – Pretoria West						
		Mercedes-Benz Rosebank						
		Mercedes-Benz Sandton						
		Mercedes-Benz Springs						
		Mercedes-Benz Wonderboom						
		New Vaal Motors Vereeniging						
		Shiraz Auto Lenasia						
Botswana								
Naledi Motors Francistown		Naledi Motors Gaborone						
Namibia								
M and Z Motors Windhoek		M and Z CV Windhoek						

Source: (Mercedes-Benz, 2008)

Appendix B: MBSA Vehicle Categories

Category	Mercedes-Benz	Chrysler	Mitsubishi
Entry-Level Cars	None	None	None
Small Cars	A-Class	Neon	None
Lower Middle Cars	None	None	None
Upper Middle Cars	None	None	None
Large Cars	None	None	None
Lower Luxury Cars	C-Class	-	-
Upper Luxury Cars	E-Class, S-Class	-	-
Lower Specialty Cars	None	None	None
Upper Specialty Cars	SLK, CLK, CL	-	-
Small Utility	-	Jeep Wrangler	Mitsubishi Pajero
Lower Middle Utility	-	Jeep Cherokee	None
Upper Middle Utility	M-Class	-	Mitsubishi Pajero 3500
Small Minivans	-	PT Cruiser	-
Minivans	-	Voyager	-
Light Commercial Vehicles	-	-	Mitsubishi Colt
Medium Commercial Vehicles	Mercedes-Benz	-	-
Heavy Commercial Vehicles	Mercedes-Benz	-	Mitsubishi Freightliner; FUSO
Buses and Coaches	Mercedes-Benz	-	

Source: (DaimlerChrysler, 2005; Manoim, 2001)

Appendix C: MBSA Dealerships: Passenger Vehicles (PV)

Province	Location	Dealership	Owner: Pre-Merger	Owner: Post-Merger
Gauteng North	Pretoria	McCarthy Fountains	McCarthy	SMH
	Hatfield	Ellenby Motors	SMH	McCarthy
	Menlyn	McCarthy	McCarthy	McCarthy
	Centurion	McCarthy Centurion Park	McCarthy	McCarthy
	Centurion	Mitsubishi Centurion	SMH	McCarthy
	Midrand	Grand Central Motors	Independent	Independent
Gauteng East	Kempton Park	Mercurius Motors	Imperial	Imperial
	Edenvale	Cargo	Imperial	Imperial
	Johannesburg	Cargo M2 City	Imperial	Imperial
	Boksburg	Mitsubishi East Rand	Sirius Motors	Imperial
	Boksburg	Mercurius East Rand	Imperial	Imperial
	Germiston	Cargo Germiston	Imperial	Imperial
	Alberton	Mercurius Alberton	Imperial	Imperial
		Union Motor Springs	Sirius Motors	Imperial
Gauteng West	Krugersdorp	Garden City	Barloworld	SMH
	Sandton	Mitsubishi	SMH	SMH
	Randburg	McCarthy	McCarthy	SMH
	Roodepoort	Garden City	Barloworld	SMH
	Sandton	SMH	SMH	SMH
	Northcliff	Cargo	Imperial	SMH
	Rosebank	Cargo	Imperial	SMH
	Auckland Park	Cargo	Imperial	Imperial
	Lenasia	Shiraz Auto	Independent	Independent
	Carltonville	Century Motors	Independent	Independent
Durban (KwaZulu-Natal)	Pinetown (PC)	McCarthy	McCarthy	BML and Durban South J. V.
	Winklespruit	Durban South Motors	Independent	BML and Durban South J. V.
	Umhlanga Rocks	Mitsubishi	Independent	BML and Durban South J. V.
	Umhlanga Rocks	NMI-DSM	Barloworld	BML and Durban South J. V.
	Durban	NMI-DSM	Barloworld	BML and Durban South J. V.
Cape Town (Western Cape)	Malmesbury	Malmesbury Motors	Independent	Independent
	Milnerton	McCarthy	McCarthy	SMH
		Orbit N1 City	SMH	SMH
	Paarl	Paarl Motors	Independent	Independent
	Stellenbosh	Eikstad Motors	SMH	SMH
	Paarden Eiland	Mitsubishi Motors	IHL	SMH
	Culemborg	McCarthy	McCarthy	SMH
	Claremont	McCarthy	McCarthy	SMH
	Strand	Rola Motors	Independent	Independent

Source: (Manoim, 2002)

Appendix D: MBSA Dealerships: Commercial Vehicles (CV)

Province	Location	Dealership	Owner: Pre-Merger	Owner: Post-Merger
Gauteng North	Pretoria	McCarthy Freightliner	McCarthy	Sandown Motor Holdings (SMH)
	Centurion	McCarthy Truck Centre	McCarthy	SMH
Gauteng East	Kelvin	Sandown truck Centre	SMH	To be relocated to another brand centre
	Wadeville	Cargo Wadeville	Imperial	Imperial
Gauteng West	Roodepoort (CV)	Garden City	Barloworld	SMH
Durban (KZN)	Pinetown (CV)	McCarthy Truck Centre	McCarthy	BML and Durban South J. V.
	NMI	Prospection	Barloworld	
Cape Town (WC)	Montague Gardens	McCarthy Truck Centre	McCarthy	SMH
	Bellville (CV)	Sandown	SMH	SMH

Source: (Manoim, 2002)

Appendix E: Customers Questionnaire

1	Outline what you perceive as the key differences between the traditional distribution system and brand campus concept.											
2	How does the brand campus purchasing and servicing experience compare with the traditional distribution system, with regard to the service output level measures? Please choose the corresponding option on the scale against the following dimensions as outlined.		Traditional Distribution System Under this heading, please state what you perceived to be the status of the traditional system regarding the following metrics on the scale of 1 (Poor) to 5 (Good)					The Brand Campus Concept Rank on the metrics under this system as compared to the traditional distribution system on the scale as shown.				
		Dimension (Total Care Concept)	1	2	3	4	5	1 Much Better	2 Better	3 The Same	4 Worse	5 Much Worse
		Vehicle Sales										
		Vehicle Service										
		Vehicle Repairing										
		Vehicle Service Lead-Times										
		Vehicle Service Capacity (delays in getting a booking for a vehicle service)										
		Vehicle Spares Availability										
		Average waiting time – between vehicle ordering and taking delivery										
		Sales information dissemination - assistance with full product										

<table>
<tr><td rowspan="3"></td><td rowspan="3"></td><td colspan="2">information before a purchaser makes a decision.</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Behavior of sales personnel (conversant with product information)</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Overall dealership appearance (the vehicle purchasing environment)</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td rowspan="2">3</td><td colspan="11" rowspan="2">One of the primary goals of the brand campus concept was customer focus, and as such, it was meant to create a comfortable, inviting and welcoming environment through the lifestyle centres, thus providing ‘a vehicle purchasing experience’. In this regard, do you think the lifestyle centres add value to the overall distribution strategy?</td><td>Yes</td><td>No</td></tr>
<tr><td></td><td></td></tr>
<tr><td>4</td><td colspan="13">There are two decision-making opportunities: (a) a decision made before a customer arrives at a dealership, and (b) a decision made whilst at the dealership. A customer wants to buy a R250 000 car, and at the showroom, there is an A-Class Mercedes-Benz (lower class in terms of MBSA categories) and a Mitsubishi Colt (high class in the Mitsubishi stable). In that regard, to what extent were you tempted to either trade-up or trade-down as a result of visiting the dealership? Please elaborate.</td></tr>
<tr><td>5</td><td colspan="13">In your opinion, do you prefer to do business under the brand campus concept or prefer the traditional approach? Please elaborate.</td></tr>
<tr><td rowspan="3">6</td><td colspan="2">Conclusion</td><td colspan="11">Comments</td></tr>
<tr><td colspan="2"></td><td colspan="11">Suggestions</td></tr>
<tr><td colspan="2"></td><td colspan="11">Recommendations</td></tr>
</table>

Appendix F: Dealer Principals Questionnaire

1	Outline what you perceive as the key differences between the traditional distribution system and brand campus concept.											
2	How does the brand campus purchasing and servicing experience compare with the traditional distribution system, with regard to the service output level measures? Please choose the corresponding option on the scale against the following dimensions as outlined.		Traditional Distribution System Under this heading, please state what you perceived to be the status of the traditional system regarding the following metrics on the scale of 1 (Poor) to 5 (Good)					The Brand Campus Concept Rank on the metrics under this system as compared to the traditional distribution system on the scale as shown.				
		Dimension (Total Care Concept)	1	2	3	4	5	1 Much Better	2 Better	3 The Same	4 Worse	5 Much Worse
		Vehicle Sales										
		Vehicle Service										
		Vehicle Repairing										
		Vehicle Service Lead-Times										
		Vehicle Service Capacity (delays in getting a booking for a vehicle service)										
		Vehicle Spares Availability										
		Average waiting time – between vehicle ordering and taking delivery										
		Sales information dissemination - assistance with full										

<table>
<tr><td></td><td></td><td>product information before a purchaser makes a decision.</td><td colspan="5"></td></tr>
<tr><td></td><td></td><td>Behavior of sales personnel (conversant with product information)</td><td colspan="5"></td></tr>
<tr><td></td><td></td><td>Overall dealership appearance (the vehicle purchasing environment)</td><td colspan="5"></td></tr>
<tr><td>4</td><td colspan="2">One of the primary goals of the brand campus concept was customer focus, and as such, it was meant to create a comfortable, inviting and welcoming environment through the lifestyle centres, thus providing ‘a vehicle purchasing experience’. In this regard, to what extend do lifestyle centres and elements add value to the overall distribution strategy?</td><td>Yes</td><td colspan="4">No</td></tr>
<tr><td>5</td><td colspan="7">There are two decision-making opportunities: (a) a decision made before a customer arrives at a dealership, and (b) a decision made whilst at the dealership. A customer wants to buy a R250 000 car, and at the showroom, there is an A-Class Mercedes-Benz (lower class in terms of MBSA categories) and a Mitsubishi Colt (high class in the Mitsubishi stable). In that regard, to what extent are customers tempted to either trade-up or trade-down as a result of visiting the dealership? Please elaborate.</td></tr>
<tr><td>6</td><td colspan="7">Under the brand campus concept, has brand separation made it easier for customers to make informed vehicle purchasing decisions? Please elaborate.</td></tr>
<tr><td>7</td><td colspan="7">In your opinion, do Mercedes-Benz customers prefer exclusive showrooms? Please elaborate.</td></tr>
<tr><td>8</td><td colspan="7">Regarding the issue of spares components procurement for vehicle repairs, and service works from MBSA, are there any restrictions in the procurement of these components?</td></tr>
<tr><td>9</td><td colspan="7">What kind of support does MBSA provide the dealerships, in terms of training, and marketing assistance?</td></tr>
<tr><td>10</td><td colspan="2">Regarding the financial (sales, or profit margins) and market (competitive position) orientation, how does the brand campus concept assist the organization in staying ahead of the competition? Please elaborate on the following aspects.</td><td colspan="2">Financial Metrics

Market Metrics</td><td colspan="3">Sales Margins
Profit Margins
Market Position
Market Share</td></tr>
<tr><td>11</td><td colspan="2">Overall, in your opinion, has the brand campus concept worked on a scale of 5 (Most Successful) to 1 (Failed)? Please select the most appropriate.</td><td>5
Most Successful</td><td>4
Successful</td><td>3
Moderate</td><td>2
Least Success</td><td>1
Failed</td></tr>
<tr><td>12</td><td>Conclusion</td><td colspan="6">Comments
Recommendations</td></tr>
</table>

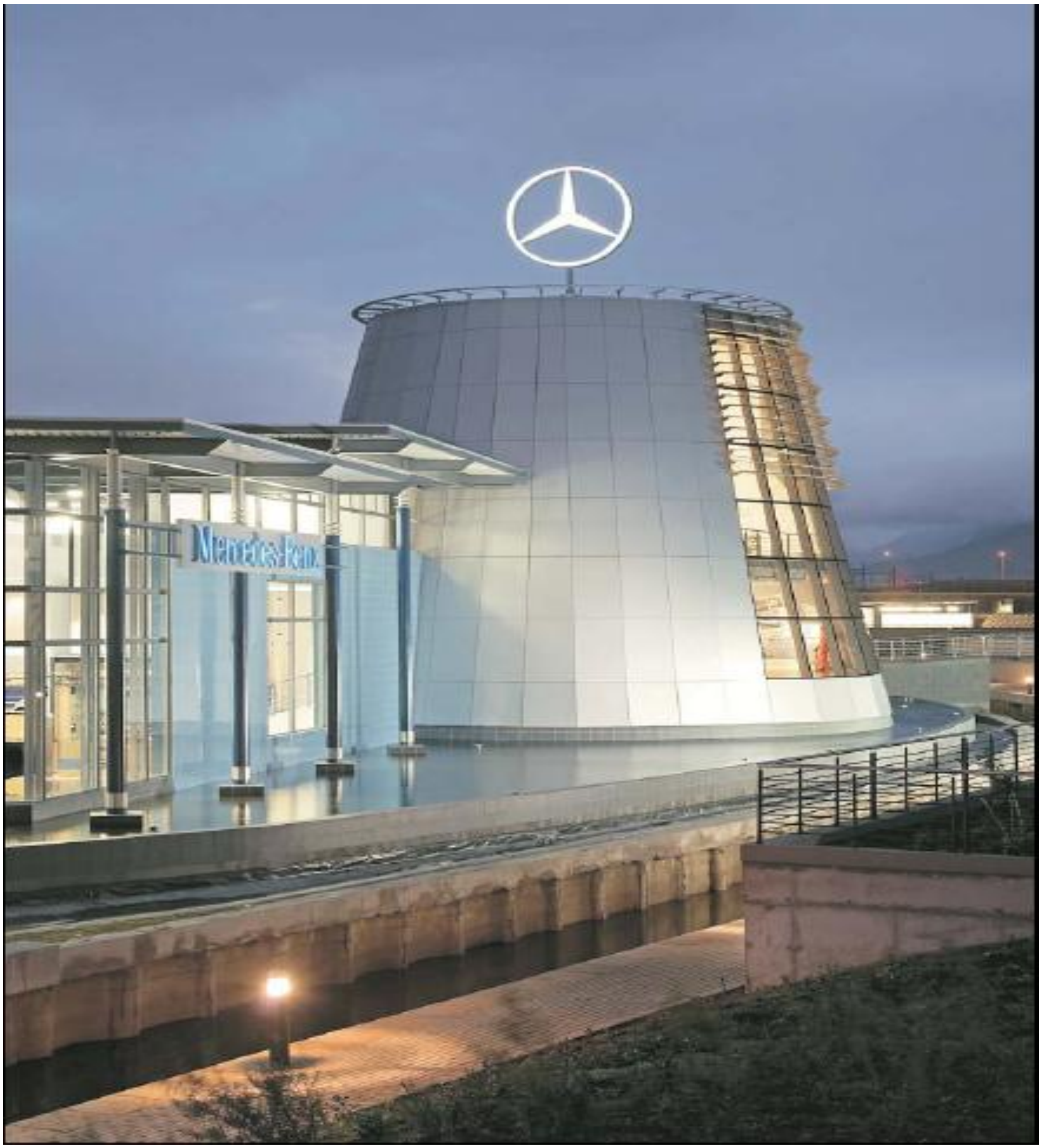
Appendix G: MBSA Marketing Executives Questionnaire

1	From the perspective of MBSA, what is the brand campus concept? Please elaborate.						
2	What brought about the brand campus concept (separated or different showrooms), as opposed to the conventional or traditional distribution strategy (multi-branded showrooms)? Please elaborate on your answer.						
3	What distribution in general entails, is to provide *ease of acquisition*, as well as *spatial convenience* in order to easily obtain vehicles. Please elaborate on how the campus concept improves on this aspect.						
4	How did the stakeholders get to know about the brand campus concept; how was the information regarding this strategy disseminated to all the concerned stakeholders? Please select the most appropriate.		MBSA Newsletter	E-mail	Press Release	Telephonic	Postal
5	How does the brand campus concept improve on the set objectives of the Dealership Network Strategy? Please elaborate on the following aspects.	Brand Focus	Creating strong brand identity and brand separation				
		Customer-Centric	Customer satisfaction				
			Creating customer value				
			Building relationships within existing customer base (base management)				
			Attracting new future customers (recruitment)				
		Profit Maximization	Sales margins				
			Profit margins				
			Market share				
			Return on investment				
		Diversity	BBEEE imperatives				
6	Even though the showrooms are different, the brand campus concept means the showrooms are still within vicinity of each other; does this aspect still not						

	relate to the traditional distribution channels? Please elaborate on your answer.							
7	What kind of support does MBSA provide the dealerships, in terms of training, and marketing assistance? Please elaborate.							
8	Overall, in your opinion, has the brand campus concept worked in Cape Town and Durban on a scale of 5 (Most Successful) to 1 (Failed)? Please select the most appropriate.		Cape Town	5 Most Successful	4 Successful	3 Moderate	2 Least Success	1 Failed
			Durban	5 Most Successful	4 Successful	3 Moderate	2 Least Success	1 Failed
9	Is MBSA likely to expand the campus concept to the rest of the five regions created by MBSA? Please elaborate on your answer.							
10	Regarding the financial and market metrics, how does the brand campus concept assist the organization in staying ahead of the competition? Please elaborate on the following aspects.							
	Financial Metrics	Sales Margins						
		Profit Margins						
	Market Metrics	Market Position						
		Market Share						
11	Conclusion	Comments						
		Suggestions						
		Recommendations						

Appendix H: Direct Observation: Photographic Evidence

Mercedes-Benz Brand Campus Concept Lifestyle Centre



Source: (Architect and Builder, 2006: 83)

The State-of-the-Art Mercedes-Benz Showroom and Vehicle Gallery at a Glance

Source: (Architect and Builder, 2006: 89)

A Peek at the Chrysler Showrooms

Source: (Architect and Builder, 2006: 91)

The Inviting Bistros

Source: (Architect and Builder, 2006: 88)

The Brand-Specific Merchandise Shops

Source: (Architect and Builder, 2006: 88)

Spacious Parking for Staff, Visitors and Customers Alike

Source: (Architect and Builder, 2006: 85)

Appendix I: Research Evidence on the Seven Elements of the Brand Campus Concept

	Vehicle Dimensions																																		
	After-Sales Vehicle Support					Vehicle Service Capacity					Vehicle Lead-Times					Vehicle Spares Availability					Sales Information Dissemination					Behavior of Sales Personnel					Overall Dealership Appearance				
Likert Scale	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**
Customer 1			3						4						5			3						4				3							5
Customer 2			3					3						4				3					3						4						5
Customer 3			3						4					4					4				3						4					4	
Customer 4			3						4						5			3					3					3						4	
Customer 5			3							5				4					4				3					3							5
Dealer Principal 1 (Mercedes-Benz)				4						5									4						5				4						5
Dealer Principal 2 (Chrysler)				4					4				3						4						5				4					4	
Dealer Principal 3 (Mitsubishi)				4					4				3					3							5					5				4	
MBSA Executive 1 (DNS)					5				4					4						5					5				4						5
MBSA Executive 2 (Marketing and Communication)			3							5				4					4					4						5					5
Total Score	0	0	18	12	5	0	0	3	24	15	0	0	6	20	10	0	0	12	20	5	0	0	12	8	20	0	0	9	20	10	0	0	0	16	30
Grand Total Score	35					42					36					37					40					39					46				
Average Score	**3.5**					**4.2**					**3.6**					**3.7**					**4**					**3.9**					**4.6**				